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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2176

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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SOME CHANGES, PROBLEMS UNDER SET OF MEASURES DISCUSSED

Bratislava PRAVDA in Slovak 16 Jul 81 p 3

[Article by Jozef Krsko: "More Attention to Dealing with People: Three Views of Implementation of the Set of Measures at the Machinery Construction Plant in Liptovsky Mikulas]

[Text] First view--from the office. "Preparations for implementation of the Set of Measures for Improving the Planned Management System in our plant," said engineer Juraj Cefo, the deputy director for marketing and economy in the Pisek Machinery Construction Plant, Liptovsky Mikulas branch, "started immediately after it was published. First by studying it ourselves and then explaining the rules to the plant's personnel. We tried to familiarize people primarily with the functioning of those indices which they themselves affected the most. With this intent in mind we also worked out tables.

"They show in an outline all the indicators, to include who can affect them and how from the viewpoint of economic results. For example, profitability of production assets can be positively affected by the plant's supply department through lowering production stockpiles, production can do it through cutting down the extent of unfinished products, lowering costs of all kinds, etc. Value added can be negatively influenced by workers through poor-quality production, increases in consumption of materials, failure to meet production deadlines, inadequate sorting of scrap metals and the like. These tables and then, in January, also the similarly processed specific tasks of the yearly plan," in the words of Juraj Cefo, "reached every single work team."

Consolidation of the interests of individuals, production teams and the plant, namely motivation for meeting the individual indicators, is to be promoted also by the system of premiums which has been implemented in the plant since the first day of April. Of decisive effect on premiums is meeting output norms, their extent being contingent on full use of manpower and quality of work.

"Results obtained with the implementation of the improved rules in the plant in the first half of the year have been positive," stated Cefo. "For instance, losses from poor-quality production have been 26 percent lower than expected. Similar achievements were also attained in the remainder of the monitored indicators."

In the Pisek Machinery Plant, Liptovsky Mikulas branch, they recomputed the results attained in 1980 into the new indicators and compared them with the results achieved from January to May 1981. In exports to socialist countries, the growth index was 128.6, in meeting the spare parts quota 130.8, in profits 135.6, etc. Thus--according to the assessment of the plant economist--nothing but positive results which, among other things, indicated a change in the attitude of personnel to the quantity, quality and cost of production.

Second view--from the assembly shop. "You can feel the changes in our shop," said Ladislav Osko, the chairman of the plant organization of the CPCZ who works in the department for technical assembly control, by way of confirming the above findings. "I can say that in comparison with the past year the quality of labor increased substantially. The people are getting used to working in a new way, improving the quality of their work, because they know that every poorly produced product will be returned to them for repair and, consequently, they actually wind up losing time and money."

Technical controllers can be hoodwinked. Be it the one who checks individual parts, or the one in assembly. Not one of them can control all the operations and all the parts. After some time, and it usually is quite short, any eventual shortcomings are discovered. Then they can have much more wide-reaching consequences. In addition to the price of the spare part and the work of the repairman the cost of transportation would also have to be paid for, no small amount. After all, up to 60 percent of the machinery goes for exports.

Changes can also be seen, for instance, in more use of shift work. Even the assembly shop operates in two shifts, something of a rarity in our machinery construction plants. True, even the machine builders and assemblers in Liptovsky Mikulas were not and are not exactly elated over working a second shift. But they see that there is justification for it.

"It's needed," was the comment made on the second shift by Vladimir Brtan, an assembly team foreman. In two words he said it all. Such as that while all assembly was done in one shift they had to wait for one another, because the overhead traveling crane could not keep up with all of them and then they had to make up for lost time in overtime. He also mentioned that an eventual expansion of the shop and purchasing of additional equipment while inadequate use is made of existing equipment would only lower return on investment in production assets.... Of equal importance, from the viewpoint of the new indices of production efficiency, is lowering of production costs. Until recently, money was "evaporating" in the assembly shop and had a bad smell to boot--that of trichloride which is used for degreasing products. The tub holding the trichloride has always had a lid, but when they placed into it a product that was higher than the tub's walls, it could not be covered. Almost a full barrel of the chemical evaporated from the tub in a day.

"We increased the height of the tub walls so that today it can be covered up even when it contains a product for degreasing," stated worker Ivan Kasanicky.

Implementation of the Set of Measures brought also some beneficial results for the shop personnel.

"There was quite an improvement in intraplant cooperation," rejoiced worker Peter Mlynarcik. "Now, compared to what things were in the past, we get all parts on time so that we can work continuously, without idle time, without rush work."

We are satisfied when we were leaving the assembly shop together with Ladislav Osko. Just as Juraj Cefo did before, the shop's workers also assessed the working out and implementation of the rules of the Set of Measures in the plant positively.

Third view—from the metal-working shop. With their last payday in mind, the workers from the economic center 110, fitters, planers, boring machine and lathe operators, met to discuss the system of premiums. While collective performance norms apply in the assembly shop, in machining professions they apply individually. That is why workers from the metal-working center were more sensitive in their reactions to some problems. In the second quarter of the year, their meeting of performance norms became complicated by shortages of materials. But the issues did not concern problems from just this area. The problems, as they are felt by the workers of this center, can be summarized in four basic points.

Lathe operator Jan Galfy: "I operate the lathe alternately with a partner. In the past year, unlike him, I was really exerting all my efforts at work and now I am the loser. My partner gets away with doing less work, but he gets more money for it."

Several workers: "Is it normal to have already the third system of premiums since the beginning of the year?"

Grinder Julius Bartik: "We cannot even figure out the premiums under the new system. We don't understand it and it seems to us that it is all being done intentionally."

Several workers: "We had some comments in regards to the system of premiums, but to this day nobody has given us any answers to them."

From the documentation put at our disposal by Juraj Cefo it is easy to find out that even though Jan Galfy was not right when specifically referring to the case involving May (he met the performance norm for May only 138 percent yet his partner, with whom he alternates at the lathe, met it 152 percent), he is right in principle. Last year's exertion, in comparison with his partner, is actually costing him money. The reason is that last year he was meeting the performance norm at an average of 139.6 percent and his partner only at 120.5 percent (even the foreman confirmed that it was so because he did not try hard enough). However, this year their last year's results were evenly increased for meeting of norms—by 1.1 percent. Thus, Jan Galfy's planned meeting of the performance norm this year stands at 140.7 percent, while his partner's is only 121.6 percent.

For all practical purposes this means giving preferential treatment to a worker who posted a poor record the previous year, because he is capable of exceeding not only the prescribed increase (1.1 percent) but, as confirmed by meeting the norms for May, by even more. This, of course, will become reflected also in higher premiums which increase by one-half percent for each 1-percent increase in exceeding the planned quota, up to one-fifth of overall premiums. On the other hand, a worker

who produced better in the past is assigned higher quotas which are harder to exceed. So, in the end, it is actually true that he gets less money for more work, which goes against the principles of the Set of Measures.

The remaining problems mentioned above have the same common denominator--inadequate political preparation. One thing is for sure: implementation of the Set of Measures into practice will not be without conflicts. Definitely not without conflicts with disorderly characters who do not and will not find the new rules to their liking. When these types of conflicts are involved, everything is as it should be. But when dissatisfaction is voiced by conscientious workers, and Comrade Ladislav Osko did rate the discussion participants as such, a mistake must have been made somewhere.

The current stage of implementation of the Set of Measures into practice is marked by a search for optimum forms of unifying the interests of workers with societal interests. In the Pisek Machinery Construction Plant, Liptovsky Mikulas branch, they will have to probe both the positive and the negative aspects. The problems tend to concentrate primarily around the question of premiums. Not every comment made during discussing the latter can be considered for inclusion, but every one of them must be truthfully and understandably answered. Failure to do so will lead the people to justifiably believe that problems are intentionally being obscured, which will inevitably be reflected in the results of their efforts. The Set of Measures for Improving the Planned Management System of National Economy, however, pursues directly opposite goals. Its introduction into practice must be perceived not as adapting the rules to the plant's conditions on paper, but, first of all, as daily dealing with people.

8204

CSO: 2400/294

## UTILIZATION OF HYDROPOWER IN CSSR REVIEWED

Prague SVET HOSPODARSTVI in Czech 21 Jul 81 p 3

[Text] The increase in the price of fossil fuels and the costs of building conventional energy resources calls for a reexamination of all aspects of acquiring such energy resources because they are uneconomical at their former prevailing price relations. Improving the exploitation of the power-generating potential of Czechoslovak rivers by building multipurpose water works, additional hydroelectric power plants and rebuilding and modernizing smaller no longer operating hydroelectric plants presents the same problem.

According to calculations the theoretical hydroelectric potential of Czechoslovak rivers is estimated to be 28.6 billion kWh yearly. Taking into consideration other than energy-related water requirements, technical territorial construction conditions, limits to exploiting the hydroelectric potential of lesser streams and the state of the art of current hydroelectric production technologies, the potential annual hydroelectric capacity which could be built is estimated to total 10 billion kWh. Consideration of the necessary capital investment and the corresponding power yield of individual hydroelectric projects indicates that of the above total 7.6 billion kWh of annual power production capacity would be economically advantageous.

Average annual power production by existing Czechoslovak hydroelectric and accumulation power plants is now about 4.1 kWh which means that only about 53 percent of the existing power generating potential of our rivers is being exploited.

The current contribution of hydroelectric power plants to the CSSR energy balance represents in fuel equivalent approximately 4.5 million tons of brown steam coal or 1.1 million tons of oil products for power production. In 1980, hydroelectric power plants supplied 1.4 percent of the Czechoslovak requirement for primary power and 2.1 percent of the domestic energy supply.

Even though the contribution of hydroelectric power plants to our power requirement is very small, it is important because of the qualitative characteristics of hydroelectric power. It is a renewable primary source of power with very low production costs. Hydroelectric power plants are highly flexible power resources used largely to supply the peak power load needed during morning and evening hours.

Commensurate with the requirements of the Czechoslovak electrification system, the installed capacity of hydroelectric power plants in the last 10 years was increased 48 percent to 2,284 MW. In 1980, accumulation and hydroelectric power plants contributed 9.5 percent to the overall installed capacity of Czechoslovak power plants and pumped-storage power plants designed for secondary generation by nighttime power from thermal and nuclear power plants contribute 4.5 percent of installed capacity.

The above represents considerable effort and expenditure which were invested into the development of our hydroelectric generating potential. The great increase achieved in installed capacity of hydroelectric power plants between 1971 and 1980, amounting to 742 MW, was accomplished mostly by the construction of pumped-storage power plants whose output increased by 680 MW, i.e., more than tenfold, while the capacity of hydroelectric power plants using the energy of flowing water directly increased only 10 percent.

In the 20 years ahead, the envisioned potential multipurpose exploitation of older and new water works, construction of new hydroelectric power plants, reconstruction and modernization of small hydroelectric plants currently out of commission will gradually increase the economically achievable hydroelectric generating potential to 70 to 75 percent of capacity and gain thereby an additional annual output of 3.5 billion kWh. The fuel equivalent contribution of Czechoslovak hydroelectric power plants would thus increase 30 percent and amount to approximately 8 million tons of brown steam coal or 2.0 million tons of oil products used for power production.

Of the envisioned 3.5 billion kWh increase of primary generating capacity by hydroelectric power plants by the year 2000, the major proportion of 2.0 billion kWh (57 percent) is expected to be completed by the end of the eighties as the Czechoslovak share of the Gabčíkovo and Nagymaros hydroelectric power plants on the Danube under construction by joint effort with the Hungarian People's Republic. By exploiting the joint Czechoslovak-Hungarian stretch of the Danube, the economically achievable hydroelectric potential of the CSSR will increase up to 29 percent and demonstrate the key importance of the hydroelectric power plants on the Danube for continued development of this resource for our economy.

But the construction of multipurpose water works on the Danube is technically and economically very demanding and time consuming. Aside from the power yield, the project is expected to provide for flood control of the adjacent territory, improve navigation, agricultural production and forestry. According to project calculations of the Danube water works the envisioned production benefits divided among four categories (power production, navigation, Danube flood control and the dredging of gravelsand) should repay the capital investment into the production part of these works in 7.2 years of gross annual revenue. Even though these calculations are based on price relations prevailing in the sixties, it can be safely assumed that the adverse price trend characterizing capital deliveries and budget expenditures for the projects which has developed since the time of preparation of the projects will be compensated for largely by an increase in the cost of and expenditures for comparable energy resources which could be acquired practically only by imports. It is obvious that the economic profitability of the Danube water works and power plants will be essentially dependent on the duration of the time of their construction as a result of the long immobilization of considerable financial means and production capacities

which in other sectors of the national economy and even in the power-production sector could be used for projects with shorter payback and construction times.

According to the inventory of projects planned until the year 2000 and the respective technical and economic calculations, the completion of the cascades of hydroelectric power plants on the Vltava and Vah rivers and the construction of additional hydroelectric power plants on the Labe, Berounka, Ohre, Morava, Dyje, Hron, Bodrog and Hornad Rivers will increase annual power production capacity by approximately an additional 1.5 billion kWh. This would require the construction of up to 60 larger size hydroelectric power plants with roughly two-thirds of them with a capacity under 10 MW, with approximately 800 million kWh in annual output derived from small hydroelectric power plants with an output lower than 0.2 MW. This demonstrates the considerable scope of the construction work and technological equipment required by this undertaking which would have to proceed without interruption with priority given to the economically most promising hydroelectric power plants. The power-supply contribution of the Czechoslovak hydroelectric industry, expressed in terms of fuel equivalent, would equal roughly 7.6 million tons of brown steam coal per year if the above construction program were implemented.

The trend of world market prices of fossil fuels justifies the rationale of undertaking the project and increases the benefits which would accrue from the exploitation of potential hydroelectric resources even considering their wide geographic scatter and the necessity of building a great number of small hydroelectric power plants. A change in the economic assessment of and opinion about the advisability of building small hydroelectric power plants can be noted in a number of countries. In the Polish People's Republic, for example, the possibility of erecting 5,000 small hydroelectric power plants each with a capacity under 1 MW is under consideration. The Bulgarian People's Republic has about 800 MW installed capacity in hydroelectric power plants each with an output smaller than 5 MW and an average overall annual output of about 370 million kWh. The USSR has a total of 600 MW installed capacity in small power plants with an annual output of around 700 million kWh each with a capacity under 5 MW and in recent years reconstruction and modernization of smaller hydroelectric power plants is in preparation or already under way with the objective of raising their capacity by another 5,000 MW and power output by 6 billion kWh annually. In France, hydroelectric power plants with a capacity under 1 MW yield 1.4 billion kWh a year and even very small power plants with an output lower than 50 kW are being built. Similarly in Norway, construction of power plants with an output of 25 kW and higher is being considered. In the United States, construction of 1 to 15 MW hydroelectric power plants is part of many improvement projects representing a potential of 5,100 MW capacity.

In the thirties, more than 12,000 small hydroelectric power plants with an overall capacity of 229 MW were registered in Czechoslovakia but in 1953 only 5,500 of them were still in operation and in 1966 only 600 remained. In the postwar era only two small hydroelectric power plants with an output smaller than 2 MW were built in our country. In 1980, according to preliminary information, only 134 small hydroelectric power plants with an overall capacity of 60 MW were still in operation in the CSSR. An updated, thoroughly documented report will become available when the processing of results of the inventory which is being conducted in accordance with the CSSR Government resolution adopted at the end of 1979 is completed; the

government has also approved the Principles Governing Intensive Exploitation of the Hydroelectric Potential of Waterways in the CSSR for Power Generation by Small Power Plants.

The economic advantage of hydroelectric power plants exploiting the primary hydro-energetic potential of waterways is based primarily on the fact that they are a domestic renewable primary energy resource. Compared to thermal or even nuclear power plants their higher specific capital costs also cover costs which would have to be expended on coal mine expansion or the development of industrial branches manufacturing products needed to pay for fuel and energy imports. Beyond that, from the societal viewpoint, the key item of construction expenditures of hydroelectric power plants is only the amortization of the water works and the equipment while in thermal power plants it is the expenditures for fuel derived from the construction costs and the disposal of ashes. Fuel transportation and ash disposal likewise require considerable capital and construction expenditures. Other hydro-power advantages include up to 10 times lower specific consumption of power for its production compared with power produced in thermal or nuclear power plants.

Further, most hydroelectric power plants are located near population centers and do not require expensive transmission and transformation installations. Hydropower is being supplied to consumers with fewer losses caused by the superimposed power-distribution system.

From the societal viewpoint, the economic results of enterprises managing the CSSR hydropower industry are considerably distorted by the inclusion of frequently excessive rental payments for the use of water works whose beneficiaries are forest and water management organizations. To create favorable conditions for the continued development of hydropower, it will be necessary to reevaluate the amounts of the rental payments to bring them down to realistic levels. Some progress has already been made in this respect in that the CSR and SSR forest and water management ministries have reduced this year the rent for the use of water works for small-scale hydroelectric power generation by the Federal Ministry of Fuels and Energy by 90 to 95 percent and abolished rental payments for other ministries.

A vital problem in modernizing existing and building new smaller hydroelectric power plants is the production and availability of necessary spare parts and of the required assortment of small hydraulic turbines, generators and control equipment. This problem can be mastered by building on the experience of former producers of traditional equipment. The CKD Blansko Works developed very rapidly 0.5 to 10 MW elbow-type direct current turbines used in exploiting the head of existing weirs without the need of large investments. Beyond that, our engineering industry can also sell hydropower equipment advantageously on foreign markets because practically worldwide demand exists for this technology. Praise is due to the CVUT [Czech Institute of Technology] for meeting the existing needs of the small hydroelectric power plant sector by coordinating doctoral theses and study themes in this field and assigning them to building construction, engineering, electrical and architectural schools of higher learning; without the framework of these studies the possibility of using mass-produced 50 to 1,100 kW propeller pumps is also being explored. Their use would reduce expenditures for the envisioned modernization of existing and construction of new small hydroelectric power plants.

Czechoslovakia has very advantageous conditions for the construction of pumped-storage hydroelectric power plants which can improve the functional application of hydropower by exploiting idle capacity for peak-load power requirements and also within the framework of international cooperation of electrification systems of the CEMA member states. In the future, the expansion of pumped-storage hydroelectric power plant construction will increase steadily, in parallel with the transition to the buildup of installed nuclear power generating capacity and the rise of the proportion of nuclear to overall capacity of own power generating resources.

The degree of exploiting the full potential of fuel elements in the types of nuclear power plants under construction depends on the evenness of the daytime and nighttime load and over the lifetime of the fuel elements, a condition which can only be met by the availability of a corresponding proportion of flexible peak-load-supply installations. The shortage of high-quality fuels renders prohibitive the construction of the necessary proportion of peak-load capacities in the form of flexible oil- or gas-fired thermal power plants as a supplement to power plants whose output is hard to regulate and in our conditions the hydropower alternative does not represent a feasible solution of this problem for technical and economic reasons.

By the end of 1981, the CSSR Stechovice II, Dobsina, Ruzyn, Liptovska Mara and Dalesice pumped-storage power plants currently in operation have an overall installed capacity of 491 MW. The construction of six units of the Cierny Vah pumped-storage power plant, each with a capacity of 110 MW, will be completed in 1981 and 1982 and another, the Dlouha Strane pumped-storage power plant with an overall capacity of 600 MW, is under construction.

In recent years, the annual output of pumped-storage power plants was about 500 million kWh, an output which falls short of the capacity of these plants. The causes of their temporary lower output are the lowering of the rate of interest of power consumption and the flattening out of the load curve as a result of organizational measures taken because of the existing fuel-supply situation facing power plants. At present, nuclear power plants constitute only 5 percent of the installed capacity of Czechoslovak power plants. Gradually, with the startup of additional nuclear power plants, the capacity of pumped-storage power plants will be exploited more efficiently.

Pumped-storage power plants operate with an efficiency of 70 to 72 percent, which means that approximately 1.4 kWh nighttime or low-load period power are needed to supply 1 kWh of peak load power. Thus the technological quality and the operating efficiency of Czechoslovak pumped-storage power plants equals the world standard. Therefore, in addition to supplying peak-load power, which according to international tariffs costs two and a half times more than nighttime power, they are also used for standin service, such as during power outages due to power plant breakdowns, to compensate for load changes by domestic customers and within the framework of international cooperation for the regulation of frequency, mastering load gradients and complying with the rules of international cooperation. Czechoslovak pumped-storage power plants are also expected to be used to raise the value of cheaper nighttime power which, according to long-term agreements, will be supplied by the Soviet Union and part of their installed capacity will also be made available to other countries within the framework of parallel cooperation of the interconnected electrification systems of CEMA member states.

Available studies indicate that in the CSSR suitable landscape conditions exist for the construction of pumped-storage power plants in up to 300 locations and of these about one-third were evaluated with a view to selecting appropriate sites for the foreseeable future in the order of priority. Thirty-seven locations selected for detailed study offer the possibility for establishing a capacity of up to 23,400 MW with an annual output of 36.5 TWh assuming a daily supply of turbine-generated power over 3.5 to 7 hours according to operating conditions of individual power plants.

Future development of pumped-storage power plants in the CSSR will depend on the needs of the electrification system and especially on the rate of increase of the percentage of power generated by nuclear power plants. As planned, nuclear power plants should be generating more power than the currently predominating coal-fired plants as early as the second half of the eighties. This indicates the tentative peak-load power requirements to be supplied by pumped-storage power plants and the time needed to prepare for the capital construction involved. The operation of nuclear power plants requiring annual replacement of spent fuel elements causes interruptions in their power supply in the course of the year. International experience has demonstrated that the use of pumped-storage power plants is highly advantageous in that it ensures operational stability and the uninterrupted supply of power to customers by a system with a high percentage of nuclear generating plants whose output is hard to regulated.

8664

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## BEZIRK-LEVEL COMBINES CREATED FOR WHOLESALE CONSUMER GOODS TRADE

## Objectives of Reorganization

East Berlin DER HANDEL in German Vol 31 No 2, Mar-Apr 81 signed to press 16 Feb 81 Supplement pp 1-4

[Article by Harri Gerold, economist, general director, Central Commodities Office for Wholesale Trade in Commodities for Everyday Needs, East Berlin: "Requirements of Productive Wholesale Trade in Commodities for Everyday Needs"]

[Text] Over the last 5 years, wholesale trade in commodities for everyday needs has produced major achievements in the area of supply and has been instrumental in increasing the economic effectiveness of the domestic consumer goods trade. This is illustrated by the following figures:

| <u>Item</u>                                        | <u>1976</u> | <u>1980</u> | <u>Development</u><br>(in percent) |
|----------------------------------------------------|-------------|-------------|------------------------------------|
| Wholesale trade turnover<br>(in billions of marks) | 22.1        | 27.0        | 122.2                              |
| Labor productivity<br>(in thousands of marks)      | 828.0       | 937.0       | 113.2                              |
| Transshipment figure                               | 15.3        | 16.3        | 106.5                              |
| Freight shipments<br>(in millions of marks)        | 1,123.0     | 1,219.0     | 108.5                              |

Net profits were raised to 111.7 percent during this period. The approximately 43,000 employees in the wholesale trade in everyday commodities who work at the 65 wholesale trade enterprises and 363 warehouse facilities, which include 680,000 square meters of main work area, are entrusted with a capital goods inventory valued at about M 1.8 billion. To cope with the steadily increasing transshipment operations, the share of goods moved on pallets was increased from 1.79 million tons (68 percent) in 1976 to 2.16 million tons (80 percent) by 1980.

In the area of commercial transport, second-shift deliveries increased from 30 percent in 1976 to about 40 percent in 1980. Despite the concentration and specialization of production, the wholesale everyday commodities trade works with 18 accounting organs and about 4,000 industrial and agricultural enterprises as a result of the great variety of goods.

Delivery ties with the retail sector are maintained with about 70,000 sales outlets, market halls and rural shopping centers, approximately 34,000 restaurants and hotels and 31,000 social consumers.

#### Supply Responsibilities

In accordance with the large proportion of basic commodities contained in its trade program, the wholesale trade in everyday commodities bears great political responsibility for supplying the public. As a result of the increased demands of the 1980's, it is charged with the following responsibilities:

Assurance of a stable supply of basic commodities needed in the daily life of every family, regardless of its income level; continued gradual improvement in supplying the public with the trade program's remaining assortments of products by making the most effective use of the goods available for consumption in terms of supply policy and the economy as a whole;

Intensification of trade processes based on scientific-technical progress in the entire marketing chain, from production to retail trade; assurance of tangible growth in economic productivity and a continued increase in the economic effectiveness of trade activity;

More effective use of social labor resources combined with improvement of working and living conditions; increased willingness to achieve on the part of all employees, especially through support for initiatives in socialist competition and innovator affairs.

#### Principal Ways To Improve Management and Organization

Incorporated in the plan for further improving management and planning in wholesale trade in commodities for everyday needs are the actions needed to meet the stiff requirements for upgrading management in the areas of supply and trade processes as well as for making further improvements in economic organization. These measures are to be implemented consistently and uniformly in all bezirks in accordance with clear priorities.

#### Further Development of Supply Management

Supply management takes in research on marketing and demand, the structuring of product assortments, the planning of finished goods inventories, the purchasing and movement of goods, the organization of ordering and delivery and supply information and control — all of which processes are interdependent. All the way from the ZWK WtB [Central Commodities Office for Wholesale Trade in Commodities for Everyday Needs] to enterprise departments, uniform supply management is to be developed on the basis of the plan through the coordinated efforts of all the organs and

enterprises involved in supplying the public with commodities for everyday needs. Improved forecasting and a prompt recognition of and immediate reaction to potential supply problems must become the main element of operational supply management. There must be no compromises in basing the work on the comprehensive organizational regulations for uniform management of supply at all levels in the wholesale everyday commodities trade. Demand research and the ascertainment of demand must be organized more effectively and conducted in a strictly uniform manner. Within the framework of bezirk-level economic organization, a higher quality of work is needed in ascertaining demand. The trade sector must coordinate its uniform position on demand with industry as a basis for drawing up general plans for product variety. Further work has to be done on planning the finished goods inventories, inventory development and reserves in order to assure a stable supply of goods for everyday needs. The system of central control nomenclatures must be improved to comply with supply requirements.

Wholesale purchasing must guarantee the finished goods inventories provided for by the plan and must be organized for great effectiveness. By means of a precise delivery schedule structure that includes units of 10, quality parameters and rules for packaging and transport, the contracts must ensure the continuity and stability of goods delivery, and thus of supply.

Implementation of the contracts must be strictly supervised. The existing communications- and orders-manager system has to be organized in such a way that it is capable of assuring a constant overview and the ability to respond by all those involved in supply; this process must range from material-technical supply guarantees in accordance with the plan and account balancing to the arrival of goods on the market. Large contingency stocks serve to compensate for unforeseeable fluctuations in demand.

Necessary to all this is a direct-line organization, interrelation and comprehensive evaluation of supply information. Using available EDP programs, the existing periodic information system is to be upgraded for use in the long-range and operational management of supply at all levels, thus assuring a prompt and more accurate identification of the most important data. The information systems operated by production, trade and statistics are to be coordinated and standardized to avoid duplication of effort. Introduction of the ESER /uniform electronic data processing/ system between 1980 and 1983 in all enterprises of the wholesale everyday commodities trade are providing for the district and central organs new information options which meet the growing demands for improved supply management. At the same time, during the period before 1985 we must lay the groundwork for employing micro-electronics in the wholesale trade in everyday commodities, with emphasis on controlling the processes involved in moving goods in the warehousing sector, rationalizing the ordering and delivery system (dropping the punch-card system in the tub file) and upgrading supply management.

Operational supply management in the area of everyday commodities must manage the planned finished goods inventories in such a way that a continuous supply throughout the year is assured and the bezirk supply plan is implemented. This calls for continuing the comprehensive transference of good results obtained in working with district general supply plans, and for further expanding the work of dispatchers in the operational control of goods delivery and inventory transfers in line with

experiences in Berlin. The bezirk-level wholesale trade programs for everyday commodities must be standardized to ensure uniform and direct management of supply.

#### Cooperation With Production

The increasing socialization of socialist production is creating new conditions and opportunities for advancing cooperation between trade and production. It must be oriented toward the following priorities in particular. Based on societal development and the needs of the people, long-range programs in consumer goods production and agriculture must be used to establish points of departure for programs to modernize important groups of products — like those for supplying children's needs, facilitating housework and for dietary products. A key point here is the modernization of a variety of standard articles which, using domestic raw materials, can be produced, shipped and offered for sale in large, high-quality lots that produce a good economic result; at the same time, packaging units and product assortments are to be made as effective as possible. Interlocking production balances are to ensure that the production and circulation sectors bring into the planning by production, transport and trade the raw-materials, packaging, transport and material-technical prerequisites needed to carry out this program.

On the basis of these long-range programs, expert assistance is to be given to industry in drawing up long-range product assortment plans for the five-year plan periods. They are to be carried out precisely in the annual plans. Effective influence is to be brought to bear on quantity, value, price group structure, delivery schedules and other qualitative features until they assume their place in the concrete supply scheme.

In close cooperation between trade and production, commodity purchasing must assure the finished goods inventories provided for by the plan. It must be organized very effectively, since the centrally organized purchasing system includes only those selected product assortments that are characterized by great variety and depth, interchangeability and large number of suppliers, since purchasing for the other product assortments is decentralized but accomplished in accordance with central overall conditions, and since purchasing is carried out through bezirk-level purchasing collectives by qualified retail trade personnel.

#### Cooperation With Retail Trade

The further strengthening of cooperation between wholesalers and retailers in commodities for everyday needs must be aimed at jointly mobilizing all forces to achieve good district supply results based on bezirk supply plans. This calls for full implementation of the stipulated measures for improving the organization of ordering and delivery procedures. On the basis of specific local conditions, these measures are to concentrate on the following areas:

Increasing the stability of goods transshipment and its economic effectiveness;

Making goods delivery as efficient as possible;

Upgrading sales organization and continuing with standing orders;

Increasing order and reliability in the delivery of goods from the wholesale trade to the retail trade.

The proven organizational forms of current cooperation — for example, work with managers' meetings, coordination councils and joint work groups involved with processes and product assortments — must be made more obligatory and directed toward a uniform, coordinated management of the processes.

#### Increasing Productive Capacity

The uniform and direct management of trade activity must ensure that finished goods inventories provided by the plan are moved from the production site to retail trade at the lowest possible cost to society. Management must place added emphasis on guaranteeing optimum cooperation among labor, means of production and work materials in the process of moving goods, backed up by a thoroughgoing analysis of the processes involved. The coordination of intensification plans for the years 1981 through 1985 with industry's combines, plus topical planning in the field of science and technology, are to be used to determine how to organize on the basis of a joint process analysis the economically most efficient distribution of goods from the production site to retail trade. The work should be focused on the transshipment of bulk goods such as detergents, water softeners, sugar and flour from production sites to major retail trade outlets using a self-contained container system involving no warehousing.

A large increase in productivity for the wholesale trade in everyday commodities requires above all the further improvement of work with norms and standards; it also calls for orienting accounting, statistics and industrial management work toward the exploitation of reserves and for making the economic control and internal auditing system fully effective.

Priorities here are consistent elimination of the unjustified differences in performance among the wholesale enterprises for everyday commodities; the minimization of trade costs and radical reduction of trade losses; increased effectiveness of capital goods and circulating capital; exploitation of reserves in the area of energy use and the economical use of materials; and increased order and reliability.

#### Establishment of Bezirk-Level Wholesale Trade Combines

As a result of the greater demands on supply and trade activity in the 1980's, and considering the concentration processes taking place in production, it is objectively necessary to continue to develop the economic organization of wholesale trade in commodities for everyday needs.

In accordance with the established basic policy, preparations will start on 1 January 1981 — beginning in Erfurt Bezirk — for the formation of bezirk-level wholesale trade combines for the everyday commodities trade. The combines, with bezirk-level management, will function as district administrators of finished goods inventories and as uniform, bezirk-level management organs for supply and trade processes. They will thus ensure more favorable conditions for state management of supply and economic activity as practiced by the bezirk councils.

Bezirk-level wholesale trade combines are being established with a view to various aims and responsibilities:

Effective long-range and operational management, planning, organization and control of supply and trade activity;

Increased effectiveness of trade activity through centralization of the functions of supply management and cooperation in the combine, industrial management, accounting and statistics, and through economic control and internal auditing;

An increased capacity for cooperation vis-a-vis the production enterprises, especially as regards the expansion of direct distribution lines to the food industries of the bezirks; increased capacity for cooperation vis-a-vis retail trade, concentrating on improvements in the existing organization of orders and deliveries;

A growing productive capacity achieved through rationalization, concentration and specialization of goods transshipment processes in the bezirk in accordance with uniform bezirk criteria;

Better use of social manpower resources along with reduced management and administrative costs achieved by doing away with intermediate levels of management and implementing modern methods of accounting with the aid of EDP.

#### Effectiveness of the Central Commodities Office

If the level of supply and trade work and their management is to be upgraded according to uniform standards, and the bezirk councils are to receive support in carrying out their responsibilities, the effectiveness of the ZWK WtB must be increased along the following lines:

A strengthening of its role as the central administrator of capital and capital goods vis-a-vis the industrial combines and other account-balancing organs in the production sector; development of uniform principles of cooperation, particularly a uniform and efficient organization of orders and deliveries between the wholesale and retail trades;

Establishment of a scientific-technical lead for the entire wholesale trade branch;

Development of model projects and re-utilization options aimed at the intensification of trade processes and broad implementation of the best existing options;

Uniform development of EDP programs and establishment of a research lead for the application of microelectronics;

Development of the best options, performance norms and standards, as well as an analytical investigation of the reproduction process of bezirk-level economic organizations.

The better coordination of supply work and economic activity attainable with this economic organization constitutes an important starting point for increasing the productive capacity of wholesale trade in everyday commodities and the willingness

of its employees to achieve. Crucial to this is a better quality of personnel work as well as basic and advanced education. The aim is to achieve a larger proportion of qualified advanced- and technical-school cadre in the ZWK WtB and in the bezirk-level economic organizations, with available personnel reserves linked with formation of the combines. New forms of basic and advanced education are to be employed. Examples of this are the drafting of apprenticeship certificates for management and mid-level personnel working in wholesale trade in everyday commodities (including ones on the application of microelectronics) or the use of slide shows with sound tracks for training employees in the process of moving material goods.

#### Fifteen Combines by 1983

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[Article by Dieter Meiran, economist, deputy general director, Central Commodities Office for Wholesale Trade in Commodities for Everyday Needs, East Berlin: "Combine Formation in Stages"]

[Text] Our strategy is supported by the objective demand and the desire to raise the quality and effectiveness of economic management to a new and higher level, to realize new dimensions in the growth of productivity and effectiveness. A basic prerequisite here is to gain such control over the complex economic reproduction process — from raw materials production to the production process and on to the effectiveness of consumer goods supply — that the greatest possible effectiveness is achieved as regards the overall economic result and supply to the public. Wholesale trade in everyday commodities has its own important contribution to make to this process because it occupies a key position in supplying the public with goods for everyday needs, thus bearing a decisive responsibility.

If we are to be able to meet the new economic standards, we must develop a system of uniform and direct management, planning and organization of supply and trade activity based on the level of development attained in the supply, trade and economic processes, the extent of concentration and centralization of functions and processes, and evaluation of the experiences of industrial combines.

The decisive step to be taken here in terms of managerial and economic organization is the development of highly productive bezirk-level economic organizations, ending in the formation of bezirk-level combines for wholesale trade in commodities for everyday needs. The formation of such combines is in line with the objective developmental trends toward concentration, specialization and combination. It simultaneously takes into account preceding developments with concentration and specialization in the production sphere and substantially increases the degree of effectiveness of the overall economic process contributed by strong partners in the circulation sphere.

#### Management Close to the Process

Bezirk-level combines for wholesale trade in everyday commodities are being formed in three stages. They build on one another and must be observed absolutely to ensure that a substantive change actually takes place and that the combine formation process does not become bogged down in questions of structure.

The first stage is that of exploring all the possibilities and potential offered by the existing system of management organization and economic organization. The aim here is to improve the management of trade and supply processes in line with the new demands and to increase economic results substantially.

The second stage involves the systematic implementation of measures designed to centralize functions and processes that can be carried out more efficiently and effectively by a central bezirk-level organization. Included are the following responsibilities:

Market research and demand research, planning of finished goods inventories and commodity purchasing, contract control;

Planning, accounting and analysis using the OAZ [expansion unknown]  
Gera is setting up a model program which will be available for duplication beginning in the last half of 1981;

Rationalization and upkeep, including scientific and technical planning, reproduction of capital and investment activity;

Personnel work, basic and advanced education and social affairs.

Wholesale trade in commodities for everyday use has developed to the point where these first two stages are now being carried out in all bezirks.

It is especially the second stage — that of centralizing functions and processes in the leadership work and responsibility of bezirk directorates — that constitutes attainment of a first step and a conversion to management which is in close touch with the process. This very implementation by the bezirk directorate of management close to the process is an important phase in preparing for the transition to the direct process management that must be fully implemented once the combine is established. This phase must not be underrated but should be used extensively to upgrade the qualifications of employees and management personnel in all sectors and at all levels.

#### Direct Preparation

The third stage is direct preparation for combine formation. According to initial findings, this third stage is being carried out in two distinct phases with the following main activities. The first phase involves obtaining the decision by the state, which calls for working out a common position in the management collective of the bezirk directorates and with the directors of the GHG's [wholesale trade cooperatives] regarding the level of development in the bezirk-level economic organization and regarding the steps to be taken in forming a combine.

Also necessary is advance coordination of this basic conception with the bezirk council, its decision to be followed by the drafting of an initial plan for development of combine management of wholesale trade in everyday commodities in the bezirk.

Building on these steps, a proposed resolution is then drawn up and combined with the order for formation of the State Combine for Wholesale Trade in Commodities for

for Everyday Needs and the final plan; approval is then obtained by the bezirk council from the Minister for Trade and Supply, and the resolution is passed by the bezirk council.

As early as this preliminary stage, there must be coordination and close collaboration by the regional social and state organs.

The second stage involves the direct preparations at the bezirk level of economic organization. This process is managed directly and personally by the chief director of the bezirk directorate. The basis for this is the general plan passed by the bezirk council and the order for formation of the State Combine for Wholesale Trade in Commodities for Everyday Needs. The general plan contains at least the following information:

What objectives and measures should be used to fulfill the four basic demands on wholesale trade in everyday commodities for the 1980's as described earlier — especially the continued upgrading of supply management, the intensification of trade processes and increased economic effectiveness? Also included here are determinations concerning responsibility vis-a-vis the kreis councils and district social organs;

Precise definition and determination of additional measures aimed at consistently continuing to centralize under the responsibility of bezirk directorates the functions and processes begun in the second stage;

Development of a highly productive future main enterprise capable of a control function, accompanied by a determination of the form the combine is to take. In line with existing district conditions, two combine forms are being used in wholesale trade in everyday commodities:

Type A — Main enterprise with affiliated enterprise departments

Type B — Main enterprise with enterprise departments and additional combine enterprises

In both cases the main enterprise is under the direct management of the combine director.

#### Action and Schedule Plan

The general plan also contains an action and schedule plan that covers specifically and in detail all tasks, schedules and responsibilities:

Formation of a bezirk-level operational staff headed by the main director and composed of the following members: party secretary and BGL [plant trade union executive board] chairman of the bezirk directorate and future main enterprise; sector directors and head accountants of the bezirk directorate; directors of the GHG and the VEB Commercial Transport;

Formation of work groups for: political-ideological work and development of initiatives; supply management/trade/cooperation; movement of goods/goods transshipment;

scientific-technical development and intensification, including EDP; economic effectiveness and social manpower resources; economic control/accounting and statistics; management and organization; personnel work and social development.

The work groups are headed by members of the central operational staff. Following receipt of a staff-approved manual of duties for their sphere of responsibility, they are charged with working out efficient methods and sequences and with drafting the most important managerial and organizational documents. They participate in the introduction, implementation and verification of the individual measures;

Drafting of personnel plans and, once approval has been obtained from the bezirk council, holding personnel discussions as soon as possible regarding filling the key position in the future combine;

Drafting of the by-laws and obtaining approval by the bezirk council following prior approval by the Ministry for Trade and Supply;

Drafting of a plan for political-ideological and organizational preparation for overall bezirk-level economic organization, including a training program, and conduct of training for management personnel;

Drafting of additional important directives as well as management and process documents;

Guarantee of accountability and receipt of information; cooperation with the district state and social organs as well as with the cooperation partners of retail trade and production.

The most important task in this second phase of the crucial third stage is for the bezirk-level central operational staff, headed by the chief director, and its work groups to assure the following conditions:

That clear political leadership for these processes and concentration on key substantive issues will preclude any unilateral reduction of tasks to the level of economic and managerial organization measures;

That the long-range personnel plans will bring a new quality to combine operation methods and to direct process management by the bezirk directorate, and that these plans will lead to the development of stable management collectives;

That all employees of the future combine will receive prompt information and be included in the accomplishment of combine tasks; socialist competitions are to unleash comprehensive new initiatives designed to increase economy and performance in the supply sector.

#### Higher Level of Supply

One of the ways in which wholesale trade in everyday commodities is responding to the increased demands of the 1980's is by improving its management and organization. The focus here is on the establishment by 1983 of 15 highly productive bezirk-level economic organizations in the form of state combines for wholesale trade in everyday

commodities. Substantive preparation is and will continue to be the decisive criterion for determining the time for formation of a combine, a determination to be made exclusively by the bezirk council. This is to guarantee that the combine will assure a higher level of supply operations in providing the public with basic commodities, while simultaneously making a greater economic contribution to overall economic effectiveness. This is the sole standard by which to judge the respective level of preparation and to measure the performance of the combine.

### Experiences of Erfurt Combine

East Berlin DER HANDEL in German Vol 31 No 2, Mar-Apr 81 signed to press 16 Feb 81 Supplement pp 6-9

[Article by Siegfried Schaedler, economist, combine director, VEB Combine for Wholesale Trade in Commodities for Everyday Needs, Erfurt; Dr Bernd Meininger, deputy combine director, Erfurt; and Dr Norbert Pietsch, Institute for Socialist Economic Management, Leipzig Trade College: "Improved Management and Organization of the Supply Processes"]

[Text] The fundamental objective of combine formation in wholesale trade in commodities for everyday needs is that of adapting the level of management and organization of this important sector to the qualitatively greater demands of the 1980's. The existing forms and methods of management and planning in the bezirk-level everyday commodities trade are no longer adequate to meet the standards established by these demands.

### Limits of Increased Productivity

The present structure of bezirk-level economic organizations in terms of organization and commercial law and the resulting methods of operation employed at the individual management levels — especially the bezirk directorates — have reached their objective limits of productivity. In part, this structure stands in clear contrast to the growing demands for efficiency and the level of socialization actually attained in the transshipment of commodities. Management and organization of bezirk-level trade in everyday commodities cannot objectively guarantee the necessary reliability of demand forecasting and observation of the market, uniformity in commodities purchasing and contract implementation, or the direct management of supply processes; this is because of an enterprise-oriented coordination of manpower and duties in these sectors. Management relationships within the framework of district state supply management — especially with the kreis councils — are overly complex in some instances, and there is inefficient duplication of effort and parallel effort. These factors set individual enterprise limits to comprehensive utilization of existing warehouse capacity, further specialization and concentration in the transshipment of goods, assurance of uniform bezirk transshipment of containers and empties, as well as the most efficient use of social manpower resources. Heavy spending for management and coordination can be only partially effective in mobilizing existing reserves when it comes to reducing costs for the purchase and shipment of goods, reducing managerial and administrative costs, implementing uniformly the model values attained in labor productivity, as well as reducing trade losses. The result is unacceptably great differences in performance levels among enterprises within the bezirk, differences that are not disappearing fast enough.

It can be concluded that the present arrangement of bezirk-level economic organizations for wholesale trade in everyday commodities — set up as bezirk directorates, which are predominantly administrative in terms of orientation and function, serving as economic management organs and legally autonomous wholesale trade enterprises and enterprise departments — no longer meets the requirements for effective and efficient management and organization of trade processes.

Inefficient intermediate levels of management, as well as duplicate and parallel efforts, hinder the effective implementation of uniform and responsive management of goods transshipment and supply processes at the bezirk level.

Wholesale trade in everyday commodities has become a main link in the continuing development of management and organization in the socialist consumer goods trade. In this regard the basic provisions of the Decree on State Combines, Combine Enterprises and State Enterprises are to be applied in various ways, and the experience gained thus far in industry and trade — especially with wholesale trade in everyday commodities in the capital city, Berlin — is to be given careful consideration.

Consequently, the order of the day in this trade sector is to form bezirk-level combines which will effectively model their reproduction processes according to uniform branch standards and criteria, and which will accomplish their district supply tasks in a stable manner while assuming increasing responsibility for their own operations.

The formation of bezirk-level wholesale combines for trade in everyday commodities is based on the principle of establishing a uniform transshipment, supply and reproduction process in the bezirks, combining these elements in a self-contained, highly productive economic unit at the bezirk level. This will bring about more favorable conditions that will enable the local state organs to exercise in full their district responsibilities for managing, planning and coordinating the process of supplying everyday commodities; wholesale trade in these goods will thus more effectively be brought in on the more efficient organization of and managerial control over district processes — in accordance with its objective position in terms of goods transshipment and the supply effort. In addition, all internal reserves aimed at increasing the effectiveness of trade activity in the wholesale everyday commodities trade will be mobilized uniformly within the branch.

#### Effective Supply Management Close to the Process

The Erfurt Combine for Wholesale Trade in Commodities for Everyday Needs is subordinate to the bezirk council and is largely responsible for supplying the bezirk with everyday commodities. It ensures a stable supply of basic commodities, an economically effective assortment of goods commensurate with supply policy and the well-planned use of finished goods inventories based on the bezirk supply plan. It supports the bezirk council as well as the kreis councils in their effective, far-sighted management of the everyday commodities supply system aimed at implementing the bezirk supply plan and district rationalization plans. As the bezirk-level administrator of finished goods inventories, it plans, balances accounts for and guarantees these inventories for the bezirk.

Fig. 1.  
 Leitungsgrundstruktur des volkseigenen Kombines Großhandel  
 WtB Erfurt

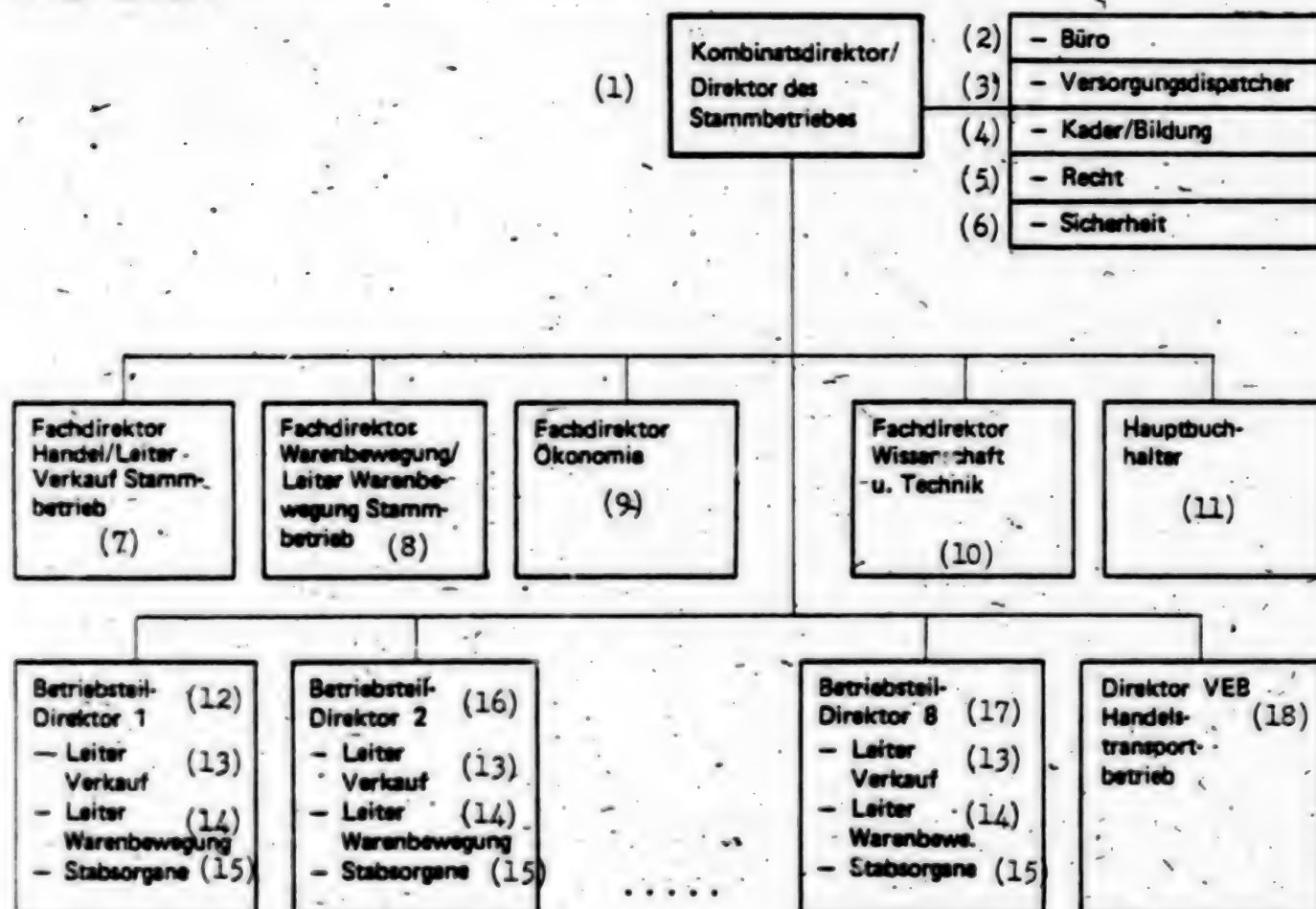


Fig. 1. Basic Management Structure of the State Combine for Wholesale Trade in Commodities for Everyday Needs, Erfurt

Key:

- |                                                                                      |                                                   |
|--------------------------------------------------------------------------------------|---------------------------------------------------|
| 1. Combine director; director of main enterprise                                     | 9. Technical director for economy                 |
| 2. Office                                                                            | 10. Technical director for science and technology |
| 3. Supply dispatcher                                                                 | 11. Head accountant                               |
| 4. Personnel/Education                                                               | 12. Director, Enterprise Department 1             |
| 5. Legal affairs                                                                     | 13. Manager for sales                             |
| 6. Security                                                                          | 14. Manager for goods movement                    |
| 7. Technical director for trade/ main enterprise manager for sales                   | 15. Staff organs                                  |
| 8. Technical director for goods movement/ main enterprise manager for goods movement | 16. Director, Enterprise Department 2             |
|                                                                                      | 17. Director, Enterprise Department 8             |
|                                                                                      | 18. Director, VEB Commercial Transport            |

On the basis of the combine type of management in the areas of ascertainment of demand and market observation, the purchasing of commodities and implementation of contracts, the Erfurt Combine for Wholesale Trade in Commodities for Everyday Needs assures that quality preparation precedes the decisions covering the effective use of finished goods inventories by the local state organs. It is characterized by a substantially greater capacity for cooperation with industry and retail trade, since it is expanding direct marketing ties with the bezirk's food industry and is continuing to work with the retail trade to improve ordering and delivery procedures.

The combine assures substantially greater productive capacity and effectiveness through uniform use of the bezirk's goods transshipment potential and its realization, through organization by the combine of planning, industrial management, accounting and statistics as well as economic control, and through a tangible reduction of managerial and administrative costs.

The combine operates on the main-enterprise principle, with eight affiliated enterprise departments and one combine enterprise for commercial transport. The combine director handles the management and planning of the uniform reproduction process within the combine as well as the duties of the Erfurt main enterprise. The combine's technical directors and other management employees have corresponding process responsibilities.\* The combine is thus characterized by an effective and closely process-related management of supply, transshipment and reproduction processes.

The uniform, long-range development of the economic unit as a whole is assured by the establishment of comprehensive sectors of process responsibility as well as by the extensive centralization of management duties and processes in the combine management body in unison with the main enterprise. This simultaneously enables the enterprise departments to concentrate fully on carrying out their supply missions and coping with the goods transshipment process.

The formation of the Erfurt Combine for Wholesale Trade in Commodities for Everyday Needs is the result of a fairly lengthy and continuous development of economic organization at the bezirk level and a step-by-step application of the basic principles of combine-style management. The necessary measures were strictly administered on the basis of a general plan approved by the Erfurt Bezirk Council following prior approval by the Minister for Trade and Supply. The collectives were regularly drawn into this task via the socialist competition.

#### Greater In-House Responsibility

The Process of preparing for and forming the combine produced greater and greater effectiveness and in-house responsibility when it came to accomplishing the supply tasks assigned to wholesale trade in everyday commodities. The following examples, among others, show this to be true:

The establishment of better guarantees for assurance of planned finished goods inventories — especially the decentralized ones — by means of strict supervision of contract implementation;

\* Decree on the State Combines, Combine Enterprises and State Enterprises, GESAMTBLATT DER DDR, Part I, No 36, 13 November 1979, Art 26, para 2, p 27.

Uniform management of the supply sequence and the assured provision of long-range supply information reports, especially concerning the drawing down of finished goods inventories;

Expansion of the service and consultation function in the EIZ [Purchasing and Information Center], the stabilization and expansion of standing orders, and a new quality of cooperation with retail trade in the coordination councils;

Drafting and implementation of a dispatcher, information and reporting ordinance concerning the operational management of supply — in close cooperation with the local state organs and the retail trade.

By exhausting the existing production and management potential, achieving greater uniformity in the processes and continuing with measures aimed at concentration and specialization, we were able even in the preparatory phase of combine formation in 1980 to achieve substantial economic results compared to 1979.

This is shown, for example, by an increase in net profits to 113.2 percent. This means that in the case of the index figure for net profit per M 100 in goods turnover, a value of M 1.26 was achieved. Labor productivity increased to 106.1 percent, which corresponds to a turnover valued at M 1.107 million per employee. Wage cost outlays were reduced to M 0.75 per M 100 in goods turnover compared to M 0.83 in 1979. The index figure on risks in goods transshipment dropped to M 1.33 compared to M 1.39 in 1979.

The centralization of processes made it possible in 1980 to free 12 employees in the control and management sector to help out in the transshipment sector. On the basis of these results, the combine has set lofty goals for 1981 aimed at continuing to increase effectiveness and has incorporated them in the competition program.

The following measures are planned:

To prepare for the 10th Party Congress by reducing trade costs by the amount of 1 workday;

To reduce the risks in goods transshipment to M 0.70 per M 1,000 in goods turnover;

To use the Schwedt Initiative to save a planned 145,000 working hours and free an additional 24 workers (VbE [full employment unit]) from the control and management sectors for work in moving goods; to forgo the use of 30,000 working hours above the plan and to free 7 workers; to earn a net above-plan profit of M 1.2 million by mobilizing additional reserves.

#### Experiences Gained From Preparatory Phase

Long-range continuous planning was an essential factor in the successful start of operations by the Erfurt Combine for Wholesale Trade in Commodities for Everyday Needs. This is experience that can benefit management's approach in all bezirks. Preparation for combine formation must be used in order to apply basic principles of the combine type of management within the framework of the existing economic structure. Effectiveness reserves are thus mobilized within a short period, and

the political-ideological and process- and management-related prerequisites are established for formation of the combine. In terms of process-related prerequisites, the following points are key elements:

Bezirk-level centralization of tasks, thus strengthening the impact of the bezirk directorates as process-management organs;

Modernization of the GHG's in the bezirk capitals to make them into productive units and future main enterprises;

Mobilization of existing reserve capacities for goods transshipment by means of further concentration and specialization.

Bezirk-level centralization should be directed toward those tasks which can be handled better on a centralized basis, which create conditions more conducive to the direct management of supply and which promote the establishment of a self-contained reproduction process (ascertainment of demand, planning of finished goods inventories, purchasing, bezirk-level rationalization capacities, expansion of bezirk-level maintenance systems, accounting and statistics tasks using the bezirk-level OAZ as employed by Gera Bezirk, economic control, bezirk-level vocational training and others).

Also involved is a change in the working methods of existing management sectors within the bezirk directorates in the direction of the comprehensive and direct management of processes designed to assure uniform procedures at the bezirk level of economic organization. More effective technical instruction and coordination are laying the groundwork for the move toward centralization and process responsibility. The tasks involved in further streamlining the wholesale enterprises of the bezirk capitals differ greatly from bezirk to bezirk. Key elements here are those of increasing productivity by acquiring new warehouse capacities and using them effectively as well as improving manageability by establishing a comprehensible internal structure for these large units.

At the heart of further concentration and specialization in the movement of goods lies the specific transshipment characteristics of product assortments and kinds of stock as well as the differing requirements of specific groups of customers (smallest-scale retailers, large-scale consumers).

The formation of the Erfurt Combine for Wholesale Trade in Commodities for Everyday Needs also makes obvious the need to establish essential political-ideological and management-related conditions in addition to the process-related prerequisites.

The following ones are particularly important:

Avoidance in principle of reducing tasks to the level of economic and managerial organization measures by establishing clear political leadership for the processes and concentrating on key substantive issues;

Assurance of a coordinated approach and strict state control over time sequence and processes in the bezirks on the basis of general plans to be approved by the bezirk councils;

Establishment of stable management collectives and, on the basis of long-range personnel plans, the establishment for the long term of management-related prerequisites with respect to the new quality of working methods and the direct management of processes by the bezirk directorates;

Assurance that the working people receive up-to-date information and are comprehensively included in accomplishment of the tasks, and that the socialist competition produces new initiatives in supply and economy;

The substantive priorities, the sequence and the time for preparing for and forming the combined must be determined in the bezirks on the basis of central guidelines and their own analyses of initial district conditions.

Playing roles here are the size of the bezirks, the level of concentration, specialization and centralization that has been reached, the available material-technical base and its level of development, the schedule for initiation of the DSR projects and the application of microelectronics. A successful approach has been that of incorporating these tasks in the long-range intensification plans and establishing close collaboration between central and bezirk-level organs.

All measures are to be prepared in such a way that firm guarantees are given for stability in the supply work performed by the wholesale trade in everyday commodities and that the collectives are thoroughly attuned to the new tasks and conditions for the long term.

#### Responsibilities of State Organs

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[Article by Guenter Koenig, economist, deputy chairman for trade and supply, Erfurt Bezirk Council: "More Effective State Management and Planning"]

[Text] As early as 12 July 1973, with the Law on the Local Assemblies and Their Organs in the German Democratic Republic, responsibility for supplying the public with commodities for everyday needs was transferred to the bezirk and kreis councils. In preparing for the 10th SED Party Congress, we analyzed the level that has been attained in management and planning by the state in the area of supplying everyday commodities. We then decided on measures designed to help the bezirk council and kreis councils better carry out their responsibility for the management of production in their areas and that of the wholesale and retail trades for supplying food, nonessential foods and beverages and industrial goods for everyday needs.

Management bases its work on the bezirk supply plan that is passed each year by the bezirk legislature together with the national economic plan; in the kreises and the cities of Erfurt and Weimar (no kreis affiliations), it is based on the general supply plan covering the period of the national economic plan. Using these documents, we are making a reality of the principle that supplying basic commodities at stable prices is and will continue to be our main concern.

## Goal-Oriented State Influence

In the management and planning of wholesale trade in everyday commodities and the exercise of responsibility by the bezirk council and kreis councils for their bezirk directorates and wholesale enterprises for everyday commodities, the existence of two levels of management in the bezirk and in the kreises proved to be an objective obstacle in assuring a high degree of mobility, a stable supply system and cooperation with the production enterprises. Up until 31 December 1980, bezirk wholesale trade in everyday commodities was managed by the bezirk directorate and three enterprises charged with responsibility for several kreises. Our bezirk's kreis councils were thus unable to exert sufficient influence on the purchasing process, the realization of finished goods inventories for their areas, inventory development and management decisions in the wholesale trade. So it became necessary to take further steps toward more effective state management.

Consequently, drawing on the speech by Comrade Erich Honecker in Gera and the Politburo conference with the general directors of industrial combines conducted by the secretariat of the SED Bezirk Directorate, we at the Erfurt Bezirk Council analyzed the management and planning relationships within wholesale trade in everyday commodities and decided to establish a wholesale combine for these commodities, with management at the bezirk level. The "General Plan for Further Improving the Organization and Management of Wholesale Trade in Everyday Commodities," approved on 5 August 1980 by the minister for trade and supply, established the basic orientation here and was of great assistance in preparing for the combine style of management. The further development of management and organization for wholesale trade in everyday commodities constitutes a step toward realizing a scientific-technical lead in the wholesale sector and represents a comprehensive form of influence for the local state organs over the management of supply in this sector.

The Erfurt Bezirk Combine for Wholesale Trade in Commodities for Everyday Needs was established on 1 January 1981. The bezirk council has jurisdiction over the combine. It is managed according to the main-enterprise principle, meaning that the combine director also manages the main enterprise. The combine operates on the basis of its by-laws, which were approved by the bezirk council.

A special responsibility for the combine derives from the supply complex for industrial goods for everyday needs. We have given consideration to this task and have charged the combine director with conforming to the Council of Ministers' resolution dating from 27 November 1980 — concerning the production and supply of 1,000 small items — by organizing close cooperation with the directors of wholesale industrial goods enterprises based on the Law on Contracts. Quite a number of these "1,000 small items" belong to the everyday industrial commodities assortment. This requires regular personal and sectoral coordination with industry's bezirk-level combines; the resolution makes specific provision for this coordination.

## Efficient and Effective Purchasing of Commodities

Via the combine the bezirk council assures a high degree of reliability in predicting demand. The point of departure for management decisions is and will continue to be public demand for a variety of everyday commodities. The demand outlook is determined through observations of the market by the trade management organs and

production enterprises of our district. The combine director was given a demand research group for this purpose. Drawing on this demand research as well as central supply index figures, the combine is able to prepare for and conduct the purchasing of commodities for the bezirk efficiently and with great effectiveness.

Participating in this on the kreis level for the combine's enterprise departments — coordinated by the deputy chairmen for trade and supply at the kreis councils — are the retail trade outlets, restaurateurs and large-scale consumers. Individual district peculiarities in consumption are taken into account here. The bezirk council's deputy chairman for trade and supply reviews and approves the purchasing plans for centralized as well as decentralized purchasing.

Even in the preparatory stage of combine formation, in the fourth quarter of 1980, purchasing was organized along the lines of the combine style of management and was thus prepared for the transition. The future combine director was in charge of centralized purchasing. The work group assigned by the bezirk council was informed of the results of bezirk-level purchasing by way of the status of contract conclusion, including the stipulated price group shares. This made it possible to exert influence on production combines and enterprises directly with the Ministry for Trade and Supply during the purchasing process.

We base our purchasing planning on the objectives of the bezirk supply plan and the finished goods inventories called for by the plan. In accordance with differentiation principles as well as district demand factors, these plan volumes are passed on by the bezirk council to the kreis councils as a compulsory volume for the year with quarterly and monthly estimates. The kreis is thus provided with management index figures which they can use to assure a stable and continuous supply of everyday commodities for the national economic plan period.

#### Highly Organized Information System

The combine is obligated to report monthly to the local state organs regarding the level of implementation for supply plan categories; used for this is information put out by the State Central Administration for Statistics and the domestic trade sector's VEB OAZ. Also included here is oversight of compliance with contracts, especially regarding enterprises that are located in the area. This process is evaluated twice weekly by the bezirk and kreis supply commissions.

Forecasting is an important element in supply management, especially in the case of everyday commodities. Regular assessments have to be made regarding the development of goods procurement, fluctuations in demand, inventory developments in the retail trade sales outlets and stability of supply in the three price groups. We have therefore set up a kreis-to-bezirk information system that draws on the weekly meetings of the supply commissions; also linked to the system are trade management organs and wholesale enterprises. Questions that cannot immediately be resolved operationally are discussed 2 days later by the bezirk supply commission. The result is council motions on management decisions to be implemented by the state apparatus in the production and trade enterprises.

## Better Exercise of State Responsibility

What experience was gained after a month of combine-style management of wholesale trade in everyday commodities in Erfurt Bezirk? The good political preparations for conversion to the combine style of management in this sector that were carried out under the leadership of the party in the bezirk and the kreises during the last quarter of 1900 made it possible to further improve supply management beginning with the first day of the combine's existence.

There is substantial room for improvement in the way the local organs exercise their responsibility for managing supply processes in the wholesale everyday commodities trade. Contact with and the policing of operations by the kreis council within its district was tightened up, with the result that more and more problems that can be solved within the district are now being discussed and resolved there. Responsibility for supply management in the district can be better exercised when the kreis councils are thoroughly familiar with their inventories of everyday commodities and receive a monthly accounting through the combine.

In addition, by Friday of every week the combine provides the deputy kreis council chairmen with concrete information for the week ahead on the average supply of goods at the wholesale Purchasing and Information Center [EIZ] for the individual categories of commodities. The report is broken down according to commodity group and type of product, number of product types, existing delivery arrears, list of products not in stock and notification of the next delivery date.

Formation of the combine has increased the effectiveness of state supply management by the bezirk council. Council resolutions and decisions by the deputy chairman for trade and supply and the bezirk supply commission are conveyed all the way to the last kreis in the weekly combine management conferences, within 24 hours at the latest. The kreis supply commissions meet on Tuesdays; on Tuesday afternoons the enterprises for everyday commodities hold their evaluation sessions. In accordance with the proviso principle, the bezirk council's deputy chairman for trade and supply receives reports from the kreis councils. He has this information by Wednesday noon at the latest. The bezirk supply commission meets on Tuesday; the combine director holds an evaluation session with all managers of the enterprises on Friday. State guidance in the area of everyday commodities supply is thus passed on directly to the kreises, with no intermediate level of management.

Formation of the combine has also made it easier to solve key problems that come up in the wholesale trade in everyday commodities. For example, it was necessary to find warehouse capacities for the bezirk's luxury food items program on short notice. The gradual expansion of warehouse capacities for these products, the establishment of delivery ties with the new Sondershausen warehousing district and the reduction of traffic from the Erfurt district had to be organized on short notice. Without the combine this task would have been extremely difficult to accomplish. The combine now has a clear overall plan according to which warehouse capacities are to be expanded gradually until 30 June without making additional investments while maintaining a stable supply of basic commodities.

## Increased Influence Over Production

Formation of the combine brought increased influence over the production enterprises in the matter of product assortments for everyday needs. We had already obtained

good results with concentrated purchasing in the past, and the first weeks of this year indicate that concentrated contract controls are having an extremely positive effect on inventory development and reduction of delivery arrears throughout the bezirk.

Formation of the combine has made it possible in conformity with the supply situation to implement concentrated, uniform wholesale assortment controls for the entire bezirk in accordance with priorities established by the combine director.

Essential prerequisites for realizing the responsibility, tasks and principles of management contained in the by-laws of the Combine for Wholesale Trade in Everyday Commodities are increased party influence and improved political-ideological work. At the same time the SED Bezirk Directorate's Secretariat approved the formation of the combine, it decided to establish for the whole combine a council of party secretaries to be headed by the full-time party secretary in the main enterprise. This will assure the leading role of the party organization in the wholesale everyday commodities trade in accomplishing supply tasks in the combine. It will also be a constant aid to the combine director and the managers of enterprise departments in making a reality of the combine style of management in the wholesale trade sector.

The bezirk council makes monthly assessments of the level of improvement attained in state management and planning of supply and the work done by the combine management. It is thus guaranteeing complete fulfillment of the task contained in the SED Bezirk Directorate's action program in preparation for the 10th SED Party Congress — that of resolutely improving the quality of supply management and increasing the economic effectiveness of all trade processes by applying the results of science and technology.

#### Advantages for Retail Trade

East Berlin DER HANDEL in German Vol 31 No 2, Mar-Apr 81 signed to press 16 Feb 81 Supplement pp 12-13

[Article by Bernd Weyrather, economist, deputy technical director for commodities for everyday needs, Erfurt Bezirk Retail Trade Directorate: "Combine Formation Makes Closer Cooperation Possible"]

[Text] It is our opinion that formation of the combine has been instrumental in attaining greatly increased productivity, an achievement being demanded of the entire domestic consumer goods branch of the economy. As the state retail trade organization (HO) of Erfurt Bezirk, we therefore welcome the changes in the management and organization of wholesale trade because we are convinced that close socialist teamwork with our largest and most important cooperation partner will enable us to accomplish even better than before our most important task — that of assuring a stable supply of basic commodities.

Although we can look back on decades of good cooperation, we expect the continued upgrading of supply management in the wholesale trade sector to produce even better collaboration on all critical matters so that we shall be able to meet fully the demands of the 1980's. We are aware in this regard that the improvement of the wholesale trade's supply management system has to affect our own management of

supply under the state retail trade system. Thus, a uniform and effective collaboration must be assured involving all organs and enterprises with supply responsibilities.

### Expectations

What expectations do we have of wholesale trade in everyday commodities, and where do we see possibilities for better cooperation?

Under the division of labor practiced in the combine, the enterprise departments concentrate on marketing and goods transshipment while the combine management focuses on preparations for purchasing. This establishes more favorable conditions for working out basic policy at the bezirk level, for laying the groundwork for and implementing the purchase of commodities, since it makes possible better agreement and coordination with retail trade.

We see in combine formation greater opportunities to influence the product assortment structure, especially the more effective use of planned finished goods inventories.

Furthermore, better opportunities are provided for increasing the effectiveness of goods transshipment processes and structuring channels of trade more efficiently, both of which are essential intensification factors for the two partners.

We are also anticipating better work in the area of operational supply reporting using the dispatcher regulations agreed upon by both parties and the exchange of supply situation information in managerial conferences and bezirk-level work groups in the trade sector.

Our final expectation is even greater effectiveness for the new ordering and delivery system that was initiated and carried out in 1980, with the work focusing on assortment and services catalogues, order catalogues and standing orders.

### Priority Tasks

We consider the five basic matters that follow to be critical to continued cooperation with wholesale trade in everyday commodities. We are optimistic in our approach to accomplishing the tasks we formulated together for 1981. We shall be concentrating on several priorities:

Winding up the process of introducing the new assortment and services catalogue in the first quarter of 1981 based on the unity of supply mission, assortment and services catalogue and orders catalogue;

Greater effectiveness of EIZ's and their increased use by retail trade sales collectives. In this regard, we plan to revise customer plans and establish a new cycle for customer visits to ensure that all supply facilities — including rural sales outlets — seek out their EIZ at least once every 4 weeks;

Upgrading of the standing order system, so that all 38 of Erfurt Bezirk's state retail trade stores reach and exceed the number of basic food and household chemical

products stipulated in the bezirk council's action plan. In this area we have made joint provision for 1981 for increasing by an additional 20 percent the fixed number of products in the categories of basic foods, household chemicals and consumer cosmetics; we also plan to raise the non-warehouse transshipment of goods from 22,500 tons to 24,000 tons and to deliver 92 percent of the total goods volume in rolling containers, on flat pallets and in crates;

Further stabilization and expansion of multiple-shift goods delivery, with the goal of 45 percent of total volume delivered after business hours;

Third-shift delivery to five large stores in the bezirk.

If the most important objective of the newly formed Erfurt Combine for Wholesale Trade in Commodities for Everyday Needs is a more stable supply service and greater economic effectiveness, it is the task of socialist retail trade to achieve both criteria within its own bezirk-level system and to assure their direct effect in production as well as the wholesale and retail trades. As Erfurt Bezirk's state retail trade organization (HO) and a socialist cooperation partner, and in the interest of stable supply for the public, we shall support in every way possible our State Combine for Wholesale Trade in Commodities for Everyday Needs in its efforts to further streamline and develop its new management system.

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## GOVERNMENT PUSHES DECENTRALIZATION OF INDUSTRY

Budapest MAGYAR HIRLAP in Hungarian 25 Jul 81 p 7

[Interview with Chief of Main Department, Ministry of Finance, Janos Bokor by Peter Tromboczky: "A Formula for Independence. Trusts and Enterprises Closing Down. Modernization of the Organizational System"]

[Text] As we reported yesterday, on Thursday the government heard a report on the various steps that have been taken so far to modernize our system of enterprise organization and laid down the course for future action.

Trusts and large-scale enterprises are closing down while smaller units are becoming independent. Next to the reorganization of our system of industrial management, the modernization of our enterprise organizations, a process that is already under way, has been perhaps the most hotly debated issue for the past year and a half not only by those directly affected but also by a great number of outsiders.

### Increasing Competitiveness

Recognizing the fact that the organizational make-up of enterprises does not coincide in every detail with the economic policy goals of our government, at the beginning of 1980--in order to promote modernization of the enterprise structure--the Council of Ministers established an interministerial coordinating committee.

We talked to the secretary of the committee, Ministry of Finance Main Department Chief, Janos Bokor, about the reasons behind and the purpose of the organizational changes, the results of which have been achieved so far and our tasks for the future.

[Question] First of all, tell us something about the reasons behind these enterprise "reorganizations."

[Answer] Many have pointed out on several occasions that under the present conditions of economic management it has become increasingly necessary to improve the competitiveness of our enterprises if we are to be able to flexibly adjust to domestic and foreign markets or to prices for that matter; the working man, our small and large communities alike should have a greater stake in production.

[Question] Why is this being hampered by the existing enterprise organization that has evolved over the years?

[Answer] The point has to be made that it does not hamper everything everywhere. The reason I stress this is because otherwise one might get the impression that all large-scale enterprises, without exception, for which changes have been recommended were inefficiently managed. Or turning it around, that in those enterprises where changes have not been called for everything is in order. The idea was to change those large organizations where on the basis of the in-depth studies conducted by the ministries in charge, and given the existence of favorable conditions, reorganization could be expected to improve economic results and better facilitate the meeting of market demands. It was for this reason the position was taken that for some of the enterprises examined that the proposed organizational changes are not justified, or that--since the conditions referred to do not exist--it would be more expedient to reevaluate the organization of a given enterprise or trust at some future date.

But to answer your question, of the three most important elements of economic management, i.e., planning, regulation and organization, it is precisely this last one which has failed to keep up with the significant changes that have taken place in the other two. What we have found in effect, is that it is primarily the factories and plants of large-scale enterprises and trusts which have failed to adequately respond to external influences. Yet our government's economic policy would require just that, namely that those influences which affect the enterprise as a whole be carried as far and to the lowest [management] levels as possible. For this could bring about the release of certain inner forces which for the moment still play only little if any role in promoting improved work efficiency.

#### Decentralized Spheres of Authority

[Question] There are, therefore, two roads that can lead us to this goal...

[Answer] One of the tasks undertaken by the committee was to come up with a recommendation for establishing independent enterprises through organizational transformation of our large-scale economic units. The other task which we have placed similarly great emphasis on is the modernization of the intra-enterprise guidance-incentive system. This--i.e., the establishment of an internal organizational system--is something that cannot be carried out based on a prescribed formula. All we can do is to draw up the theoretical requirements. One such requirement is to recognize that the individual units within our larger organizations also need greater independence than before. More specifically, they need to have the power to make independent decisions concerning questions of economic management which in turn could serve as the basis for the establishment of incentives. This is what we mean by "decentralized spheres of authority." The opportunities for such a move are the greatest in those places, where the majority of the units are horizontally connected to one another, in other words, where they are in fact only legally parts of the enterprise and trust framework, in practice they all turn out end-products.

[Question] Looking at it from the outside the solution appears simple: Issue a decree ordering the decentralization of authority and make it mandatory for all enterprises.

[Answer] The problem is that--due to the diversity of their make-up--each enterprise requires a specific solution which is different from the others, therefore, it would be difficult to sum it all up in the form of a simple "decree." In addition, today it is still not simply up to the director to choose which decisions to reserve for himself and which ones to "pass down." We need to create external conditions which better allow and even promote such a development, and which do not require frequent intervention on the part of the enterprise management. At the same time this also means that our organs which provide external guidance for the enterprises must also institute changes in their methods if they are to give substance to this frequently talked about concept of enterprise independence. What this means is that the system of relationships between the branch ministries of guidance and the enterprises which we have grown so accustomed to should also undergo changes. The ministries should not undertake tasks which require operative guidance, instead they should develop concepts that will facilitate enforcement of our government's economic policy within the given branches. It is already in this direction that our newly formed Ministry of Industry is organizing its work.

#### Not a Campaign But a Process

[Question] What would you say is the most characteristic of the recommended changes that have already been put into effect?

[Answer] First of all the fact that the committee did not undertake the task of transforming the organizational system of our entire economy. All it has done is to try to expedite, as much as possible, the implementation of those steps which can be safely taken, that is to say, to get the changes under way. Further steps will also have to be taken, especially in certain branches of the machine industry, light industry and construction materials industry. What we have before us, therefore, is not a campaign but a process. Our eventual goal is to create conditions which would allow significantly more initiatives to be taken at all levels than presently possible, to allow us flexibility in shaping our economic organizations--naturally, only after thorough preparations had been made.

In the case of 27 of the 60 large economic units examined, we did not recommend any changes in their organizational framework. Eighteen trusts and large-scale enterprises have closed down or are in the process of closing down, while in other cases several smaller, although still significant subsidiary factories and factory units employing up to several thousand people in some cases, have decided or are in the process of deciding to go on their own as independent enterprises. Thus, through decentralization, 123 enterprises have been or are about to be established. In order to enhance cooperation various associations have been set up by the enterprises in a number of areas. There have also been some mergers in some cases. Fifty-five trusts and large-scale enterprises have had their system of internal management and incentives reviewed.

[Question] What are your observations regarding some of the more important organizational changes that were put into effect in the course of last year and this year?

[Answer] Not enough time has gone by for us to give an unequivocal assessment of our newly independent enterprises' economic performance. It is also undeniable, however, that it is not an easy task to radically change an organization, it entails temporary difficulties. It is just like an operation: painful but necessary. We are, however, already seeing a stirring of inner forces within our newly independent enterprises. They want to prove themselves. They want to prove that they can stand on their own feet.

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## INSTITUTIONAL ROUTINES LIMIT REFORM'S SUCCESS

Budapest FIGYELO in Hungarian 12 Aug 81 pp 1, 4

[Article by T. Katalin Forgacs: "The Guided and the Guides"]

[Excerpts] As for Hungary it is at least thought provoking that to this day there is no effective, institutionalized form of feedback from the managers, the enterprise leaders, to central guidance to indicate how the economic regulators are working in practice. Let me emphasize, I do not think there are too few reports and research institute projections on this subject. The guiding organs are amply supplied with balance reports, obligatory statistical reports, data services and written material on enterprise opinion surveys. So there are plenty of formalized links governed by decree. But direct dialog or feedback is more rare; there are few consultations with the enterprises—especially under the swiftly changing conditions of today. It is true that in recent years there have been positive initiatives at the Chamber of Commerce in the direction of creating a sort of enterprise leader forum to encourage a dialog between the enterprise sphere and the guiding organs. And the most recent measure by the National Materials and Price Office (the "Number 13") came into being following prior consultations with the enterprises.

A positive initiative has been taken at the Revenues Main Directorate of the Ministry of Finance also. In the future it will be the task of the supervisory organization not only to examine the formal legality of management but also to prepare analyses—even critical ones—concerning the effective mechanism of the regulators.

But even today, in the state administrative organs, it is still common for the responsible officials to learn via the economic press about anomalies which have been created or which could be created at the enterprises by this or that regulation passed by them.

"I Know That You Know That I Know..."

The lack of dialog contributes to an intensification of mutual distrust or, by another name, bargaining. Unfortunately we have historical traditions for the latter also. The enterprises count on this or that intervention by the authorities in advance and the authorities calculate in advance that the managers will try to "adjust" the regulators which are prepared not exactly to their size. As long as we have this mutual distrust we can hardly put an end to that frequently condemned

bargaining between state guidance and the enterprises--together with all the well recognized consequences which definitely hold back our economic development.

Laszlo Antal calls this general form of behavior the base view, one where the enterprises have a basic interest in hiding their internal reserves from the guiding organs. "The basis for this distorted interest is primarily the formal and informal subordination of the enterprises, the way they are embedded in the hierarchic guidance apparatus. The base view can be derived from enterprise interests consolidated into a form of behavior based on the reactions of interventions of the guiding organs...but it is not a one-sided characteristic of the enterprises, rather it presumes definite reactions of the guiding organs upon which the enterprises count...."

#### On One Team, Against One Another

The interventions made the base view permanent even if this is directly counter to the intent of the guiding organs. The enterprises feel that such interventions cannot be avoided in the future either. So both sides count on the exaggerations of the other, count on reserves which can develop because both sides know in advance that there is a mutual calculation of the behavior of the other.

The fact is that the atmosphere of distrust, the unique and permanent bargaining, is not the result of incorrect behavior by individual enterprise leaders or individual officials working in economic guidance. Even if there are subjective, bad habits they must be regarded as the consequence of a cause lying much deeper--the shortage economy and a form of management in which profit interest is not realized consistently. The economic guidance organs--yielding to the constraints of the shortage economy--exercise pressure on the enterprises in the interest of achieving economic policy goals with a combination of administrative and incentive tools and moral influence--the shadow mechanism. And the enterprise leaders--as a result of their unique subordinate relationship--do not object even to those regulators which prove worst--they just put something aside. For they have no legal defense against the interventions of the guiding organs--their premiums and income depend on the judgment of higher authority. Indeed, there is no need today to offer justification for relieving an enterprise leader. Nothing serves in an organized way interest protection in connection with the career or prestige of enterprise leaders. As a result the distrust is recreated again and again; in an unfortunate way those playing on the same team are playing against one another.

Even now, after 1980, we can still say that in many respects the practice of economic guidance is reminiscent of the earlier solutions which kept the base view alive. This is indicated by the 1981 modifications withdrawing surplus profits, the corrections to the price changes, the way wage development indexes are reviewed, the special incentive measures passed in the interest of increasing export volume, etc. It is not yet possible to decide whether the contradiction between the practice reminiscent of the past in so many respects and the more determined efforts in the direction of a basic change in economic guidance (see the new work methods of the Ministry of Industry which expressly forbid the ministry to deal with enterprise production matters) is a temporary concomitant of an adjustment to a radically new situation or whether one should see in this the danger of a survival of the

earlier practice, including the efforts of the enterprises to set something aside for themselves.

#### With Imprecise Instruments

In the cited article Laszlo Antal comes to the conclusion that "going beyond the general regulatory frameworks the elimination of the economic behavioral characteristics which we call the base view will require trust on the part of the enterprises."

I would add one thought to this conclusion. Trust--at least in the long run--can be lasting only if the partners understand each other's problems. So it would be desirable for officials working in economic guidance organs to work a few years in the enterprise sphere. It is true that this would not be enough to completely eliminate the base view, the bargaining. Despite this I feel that economic regulation would come much more into harmony with the nature of enterprise work, with its entrepreneurial character, if the experts in the guiding organs had more enterprise experience. This "cure" would contribute something to at least moderating the base view even if it did not lead to a radical extirpation of it.

At present there are unfortunately few experts with enterprise experience in the state administrative apparatus. (Of course, it might be the theme of a separate study why young, ambitious graduate economists have such a horror of the idea of going to work at an enterprise at the beginning of their careers. Perhaps there are too many enterprises where beginners do not get worthwhile work?) And the movement tends to be in one direction; experts do go from enterprises into the guiding organs--this is counted as advancement, a promotion. But it is rare for a ministerial representative--if he has spent a few years in state administration--to happily undertake to view things from the other side, even for a few years. Of course, due to the nature of the experts, their personality, there are those who understand the macro-interdependencies and there are those of a managerial frame of mind who do significant work in the enterprise sphere. I would urge, not a campaign, but a planned rotation among these types. In general it would be desirable that an expert should not enter economic guidance without enterprise experience.

The present "alignment" is not fortunate partly because in this way those making the regulations, formulating the regulators, adjust their instruments not to the real but rather to a simulated economic medium--lacking appropriate enterprise experience. (In the words of Kornai: "Since 1968 there have been over one hundred regulations to control enterprise profit and profit shares.... The unending perfection of them undermines their effect.... The rigidity of an only half proven institutional system is faced with the uncertainties caused by the unending process of improvement and the disadvantages of instability.

Another danger lies in that form of behavior or unique interest which generally characterizes officials working in large official organizations--independent of the country or social system.

Hungarian sociological researchers also have already refuted the hypothesis that an individual organization can really act as the representative of some general economic interest. Although those working there still claim to be able to do so in many

places it is increasingly admitted that every stratum of society--including officials--must reckon with the representation of definite group interests as well.

#### From An Ivory Tower?

So what is the basic interest of an official? It is to carry out the directives ever more precisely, without contradiction, and win the recognition of his own community. There is nothing strange in this; as a social being it is one of the basic needs of a person to achieve success in some community, to feel that his activity is recognized and respected. (To quote Kornai again: "The economists and planners working in central organs are not the impersonal representatives of all-social rationality, they are not the philosophers of Plato's ideal state who embody a wisdom floating above society.")

The professional literature dealing with this theme agrees in stating that in those large organizations where the performance of those working there is difficult to measure the judgment of their work is decided by the extent to which they are capable of identifying with the goals of the given institution, with the generally accepted behavioral norms--in a word with the internal game rules. (Of course, this is also true to a certain extent in the enterprises, but the difference is an essential one; in the enterprise sphere performance can be tied to some objective criteria in the majority of activities.) According to one American study ("Measuring Economic and Social Performance," Columbia University Press, 1973): "The criteria for promotion--under circumstances where the value of the work and the magnitude of the performance are not known--cannot be, by definition, output or productivity. What takes their place is, primarily, loyalty to the given organization and its leadership, to the behavioral rules accepted by it. Such loyal bureaucrats will hardly 'rock the boat.'... For the most part these people--keeping in mind the security of their own positions--are necessarily conservative in the sense that they are convinced that, in regard to the hierarchy and practice of their organizations, what is is good. The trouble is that with the passage of time these organizations or institutions, where adherence to the routine and not actual performance is the criterion for success, become less and less effective, their decisions become increasingly clumsy and they are less and less able to respond flexibly to the demands of a changing external world."

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# TRAINING OF BUSINESS MANAGERS VIEWED

Budapest MAGYAR NEMZET in Hungarian 11 Aug 81 p 8

[Interview with Dr Tibor Folkmayer, chairman of instruction at the National Management Training Center, by Janos Korompay; place and date not given]

[Text] In the last 3 years, almost 1,500 people took various courses at the National Management Training Center. Ninety percent of those who studied enterprise management were directors-general, directors, and their subordinates. There are always many applicants and people who have been recommended to take courses; this shows that management training continues to be an important task. We asked Dr Tibor Folkmayer, chairman of instruction at the National Management Training Center, what the goals and objectives of the institution are.

[Answer] The structure and contents of our courses are varied according to demand. Courses with specific objectives draw many people; this indicates that they are voluntarily chosen. Complex courses have students who have been assigned to them. The objective courses, which last 3 to 8 days and deal scientifically with concrete topics, seem to satisfy the demands of management trainees.

## Through Commitment

[Question] In your opinion, is the triple requirement timely? We are asking this because the requirements are also classified as knowledge, attitude, decision making, aptitude and so forth.

[Answer] The triple requirement is still timely. The manager serves the interest of society and is politically committed; this must be manifest in his action and behavior. He is a representative of power although he can exercise his power only in his service to society. Management today is not as simple as we are trying to approach it. In evaluating management, the criterion is not just the results achieved but also the socialist character leading to the results. The reform of economic management presented, of course, new requirements for the managers. The most important task since then, and today, is to foster continually management aptitude. Of course, to accomplish this, we must be more familiar with the managers and their personalities and must know better in what area, what kind of organization and which level of management they would do the best work.

[Question] How do the managers themselves see the requirements?

[Answer] Most of them believe that they are living through the most critical period of the past 20 years. The enterprises are the areas of clash between the contradictions of social and economic movements. For example, the enterprise manager is responsible, among other things, for the attitude and relationship to work of those people whom he is managing. The managers feel the burden of the new requirements but they also feel increasingly that their interest and recognition are not on a par with the requirements and responsibilities. They deserve more confidence, autonomy, objective and lasting standards, professional knowledge and consistency in the evaluation of their work.

#### An Increase of Interest

It would be a mistake not to take into consideration that the manager is looking for self-fulfillment in his work and a sense of accomplishment and relates his achievements to the satisfaction of his own demands. Very probably a high management interest would increase efficiency as well. If the manager finds that his accomplishments are rewarded by adequate financial and moral recognition, then he is going to find ways to increase efficiency, including the expansion of knowledge necessary for better management.

[Question] How is the manager's performance evaluated? Is it possible at all to evaluate it?

[Answer] I think the quality of management definitely shows over a longer period of time and can almost be evaluated. The leadership is reflected in the efficiency of the organization. Thus it cannot be true that a very bad manager can succeed in keeping his position for a long time at the top of an economic organization.

[Question] You have many courses and you also have an advisory service. You have qualified instructors and staff but are not practical knowledge and matter of everyday life missing?

[Answer] Most of our staff have several degrees, speak foreign languages, and are recognized in scientific circles. I still think the question is justified, because practical preparation plays a key role in our work. The specialists working in management training must meet very high requirements. They not only must be experts in their own field but must also be familiar with the environment in which their students are working. We must increase the number of those instructors who, in addition to their familiarity with practicalities, are also receptive to theoretical questions, can research the unclarified problems of their courses, are capable of synthesizing findings and also have personal experience in management.

#### The Necessity of Revival

[Question] There is politically and economically important cadre work behind management training. How open and democratic is this activity here?

[Answer] I had the opportunity recently to look into two studies that summarized the valuable experiences of our cadre policy. I will select one or two thoughts from these studies. About 25 percent of the appointments were unsuccessful. The other is that the managers consider personal connections as the most important factor in their advancement. It is my own experience that the effects of contraselection also play a role in the fact that the career of management does not draw enough talented and qualified young people. In the industrial branch where I worked, 15 top enterprise managers, 2 directors-general and 1 deputy director-general were retired 5 years early for health reasons, and 9 high-level executives died before the age of 60. It is apparent, then, that--not counting the period of the change of power--a consistent and strict cadre policy was never more needed than today. It is perhaps not an exaggeration to say that a significant source for development is the revival of management. Being confident in this, I add that the managers themselves are urging that those be called to account who breach management ethics and to replace those who prove to be unqualified. There is a moral courage for the revival that will be the source of our new social and economic accomplishments.

[Question] Let us expand the topic: What are the characteristics of our management culture?

[Answer] Most managers, in analyzing the tasks, are concerned with looking at their immediate and wider environments and mutual relationships. They are receptive to the new and are flexible. But another group cannot recognize the realities and they blame their own weaknesses and the weaknesses of their organization exclusively on factors outside their control. They do not have a capacity for innovation and have not updated their knowledge; this is why their thinking is inflexible and why their management activity is built on principles based on the indisputability of their management authority. Their activity is characterized by red tape, personal connections and opposition to fresh ideas. Finally, there are those who understand the relationships, recognize the things that have to be done, are capable of action, but do not act. They do not stop the flow of events but they do not speed it up either. They are careful, do not take risks, avoid conflict and thus are outside the main current of events. It is evident, then, that we must increase the number of those belonging to the first group.

#### Planned Replacements

[Question] What do you think of a manager who holds a job for a long time?

[Answer] Long-time service, according to experience, has the inherent danger of self-overestimation. A manager may consider his own actions and methods as exclusive; either he does not recognize the necessity for a change or, if someone else recognizes it, then he is opposed to him by virtue of his authority and power. Thus he may hinder progress. The manager unequivocally serves progress for about 6 to 8 years. After that, his activity is often accompanied by negative phenomena. The solution is, then, a planned replacement of managers. Public opinion should also be informed that the cadre replacements in top management are the results of a conscious and carefully examined system.

[Question] Can, in your opinion, the managers be elected?

[Answer] The institutional and general election of managers is not feasible in the economic sphere.

[Question] Finally, what is, in your opinion, the place and role of management training in our educational system?

[Answer] The government is dealing with the place and role of the institutional system of management training. I would thus mention only one thought: management training is in the sphere of higher education but its conceptual implementation includes characteristics that are different from university and college instruction. We must continue to have institutions that help meet the third element of the triple requirement system by offering the necessary new knowledge.

9414

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## MERITS OF ALLOWING ENTERPRISE BANKRUPTCY QUESTIONED

Budapest MUSZAKI ELET in Hungarian 24 Jul 81 p 5

[Article by Nandor Bogнар: "Deficit Enterprises: A Part of Risk Taking or the Dunces' Seat?"]

[Text] The term is not new, we have known it for years: deficit enterprise. Deficit is where the receipts are smaller than the expenditures or where the production costs are greater than the value of the goods produced or the services performed.

Of course, this is nothing new--at least the definition is not. It figures in any textbook on industrial economics. The situation is different with the concrete, tangible appearance of deficit; we are not, let us confess it, used to that. We may smile cunningly and say that even in this we have caught up with the developed West. We could say, with some famous economists, that the worse it is, the better. That is to say, the sharper the market struggle, the more quickly enterprise mistakes, which exist anyway, will come to the surface and the more quickly those enterprises that cannot meet the competition will appear. Let the rotten apples fall. Perhaps, as many do, we may sound the alarm in terror: if a socialist industrial enterprise, where people work honestly and where they have made no special mistakes, has a deficit, then thus truly is the end of the world.

But this is not the end of the world. Various market effects are shaking the ground underneath a goodly number of our mellowed factories. It is worthwhile to examine the chief factors one by one, if only to decide what opinion we should have about the deficit enterprises.

The reports prepared for the recently concluded session of the National Assembly, or rather those prepared for the preceding parliamentary committee sessions, which the daily papers recently published in detail, are suitable for this review. We can learn from them, for example, that the profits of industry in 1980 fell below those of the preceding year by 25 percent and fell below the planned level by 15 percent. For the honor of industry it must be said that, although there was a deficit totaling 10.7 billion forints for four management units, this did not reach 10 percent of the preceding year. The number of deficit units decreased by one, since in 1979 even one ministerial enterprise was a deficit one, while in 1980 only cooperatives closed with a negative balance.

(What will happen with them? In two management units the deficit can be handled on their own from the reserve fund; in one cooperative the reserve fund and aid offered by the OKISZ [National Federation of Artisan Cooperatives] will cover the deficit; one cooperative has ordered financial reorganization proceedings.)

Let us look at a few of the components. What makes up these balances? Producers' prices increased more than planned. However, this did not result in profit above the plan because industry lagged in price increases; this worked to increase costs. Production volume was below the plan--especially in the machine industry--and this tended to decrease profits. The transformation of the production structure increased profits for a few enterprises, but this was not significant in regard to industry as a whole.

Most frequently the price and regulator systems are mentioned as the cause of missing incomes; these changes did make possible greater differentiation than earlier. Some enterprises were capable of adapting more quickly, others more slowly; a good many reacted only with significant delay. From every report and account, even in the year just past those managing more effectively did not succeed in developing more strongly.

The picture would be incomplete without mentioning the construction industry. While perhaps out of place here, in any case it is thought-provoking that in the past plan period personnel decreased by 14,300 instead of the planned 6,000-8,000. This decrease affected primarily the physical workers; thus, about 10,000 fewer worked at construction and assembly work. The profit of the contracting construction industry decreased in 1980 to about half that of the preceding year. Ten management units showed deficits. As the report of the ministry states, both the number of deficit organizations and the size of the deficits increased many times compared to preceding years.

Thus, the enterprise picture that can be read from the data deviates from the customary one. The question after all this is: Should we get accustomed to the idea that some of our enterprises have deficits, is this phenomenon a necessary concomitant of our management? Many say that the question is an artificial one thus put, and they are right. Wherever there are undertakings, wherever the management units can make a profit, there must be losses also. If this is how it is, then we must prepare ourselves for an increase in the number of deficit enterprises.

Is the increasing number of negative balances good for us; is it true that the worse it is, the better it is? It is worthwhile to think this through, primarily from the consideration of whether every deficit is a real one, whether deficits arise where they are justified. This question arose at the session of the construction and transportation committee of the National Assembly discussing the results of last year. At that time a leader of the construction ministry put it this way: the regulators should not be "smeared" by deficit management. In general the organizations that were weakly profitable otherwise also fell among the deficit ones.

If we are to stick to the list of deficit operations, it must be noted that there is another list. We know that even those enterprises about which we heard good reports could have been deficit enterprises. But they are not, because they received help. We are not talking about moral help or friendly sympathy, we are talking about material help. Hardly a firm in our homeland would not have appeared, at least temporarily, on some such list.

Of course, there is central support, just as there are central tasks. But those statements in the ministry reports that bad management is not adequately reflected in enterprise income warn us that it would be justified to decrease further, and decrease greatly, the magnitude of supports.

In our economic language, we attach other expressions to deficit--lack of funds, financial reorganization, bankruptcy. Only one thing cannot be associated with it--the economic insecurity of the workers. However unfavorable the results achieved by an enterprise in our homeland, nobody is out in the street.

Certainly being a deficit enterprise will not in itself put any management unit, any collective, in the dunce's seat. A deficit is not a contagious disease that must be hidden; today the names of enterprises with negative balance appear in the newspapers. Indeed--see the Council Construction Industry Enterprise of Heves Megye--the calling to account of the leaders affected also appears in the papers. We understand, and understand ever better, what a deficit is; somehow we do not take it seriously enough.

One National Assembly representative put it this way: the trouble is that here the job always gets done, finally, somehow. The building is built, the series intended for export is finished, and then this erases the errors of management. The existence of a deficit does not shake the enterprise; it has no special force to make the leaders rethink the events--not even to speak of the environment, of the "potentially deficit" sister enterprises. If we would recognize that a deficit is nothing more than a part of undertaking things, a part of risk taking, then the matter would be ripe for a fundamental analysis--and not only behind closed doors, at managers' conferences, but, in any given case, at workers' meetings--and not only at the places giving birth to the negative balances but elsewhere as well.

Open analysis would bring a double profit. It would decrease the private charges about hidden bankruptcy and millions in supports and then there might be a realization of the principle that "the clever learn from the troubles of others." It is hardly necessary to prove the economic profit of all this.

8984

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## FIVE-DAY WORK WEEK INTRODUCTION PROVES COMPLEX

Budapest NEPSZAVA in Hungarian 9 Aug 81 p 5

[The Ministry of Labor's bulletin: "Questions Concerning 5-Day Workweek--The Length of Working Hours, Breaks, Overtime, Collective Contracts"]

[Text] In preparation for the introduction of the 5-day workweek, the management organizations raised several questions regarding the application of regulations. These questions were raised primarily about the length of the working day, breaks, the possibility to change in 1981, and the change itself.

In connection with these questions, the following information was given at the Ministry of Labor:

The resolution of the Council of Ministers, which deals with the introduction of the 5-day workweek and the resulting changes of working hours, prescribed that the now generally valid 44-hour legal workweek be reduced to 42 hours and that the 40- to 44-hour workweek of those working in two or more shifts or in continuous work schedules be reduced to 40 to 42 hours. Within this framework, each management organization decides on the length of the workday, considering its own characteristics and possibilities.

The regulation concerning longer-than-general workweeks remained unchanged; in work areas that are entirely or partly based on standby, the employer may determine a longer-than-general workweek (after the change to the 5-day workweek, more than 42 hours). Thus, for those who worked more than 44 hours, the number of hours does not have to be reduced. In these areas, working hours must continue to be specified either in the collective contract, labor regulation or working contract; of course they can be reduced.

The hours of those working in areas endangering health are generally not reduced; hours were, and are, determined by the length of the generally valid workweek but by the type of work. (Here the number of hours may be reduced for those who work in several shifts and whose workweek before the change exceeded 40 hours.)

Breaks are no longer part of legal working hours now that the 5-day workweek reduced working hours. In practice, the definition of the break is often the source of confusion; in some cases not only the lunch break but the other breaks built into the norms are considered in setting the norms, are included.

Because of the type of work, individual shifts are interrupted, for resting and health reasons, by breaks of specified lengths; these are built into output requirements and, for those earning hourly wages, into the work schedule. (During this time the workers can relax, do gymnastics, eat, wash, etc.) According to special regulations and the collective contract, these breaks may remain part of working hours; they are not considered extra breaks.

The length of extra breaks are significantly affected by the type of work and the work schedule. These breaks generally interrupt the working hours. The only possible deviation is justified by the nature of the work, technology or the work schedule, e.g., if technology does not make it possible for the workers to leave the room, workers in areas endangering health can eat during the longer breaks specified for health reasons or the main meal is before or after the shift. In such cases the extra break can be given without interrupting the working hours, i.e., before or after work. A place for the break must be guaranteed in the collective contract.

Extra wages for extra breaks outside working hours must be discontinued after the introduction of the 5-day workweek. In order to avoid a decrease of wages, these special wages must be built into the regular wages (into the basic wage for those who are paid by the hour). Consequently, the sum previously paid as a supplementary wage cannot continue to be paid, for it means a similar distinction.

Following this building in, it is not necessary to pay special wages for the extra break that is mandatory after 3-1/2 hours of overtime. Such an extra wage must not, and technically cannot, be built into the wages of the workers concerned, because this was not part of the regular wages. (A significant part of this wage is built into wages by the increase in overtime pay that results from building in extra wages for the regular extra breaks.)

The change to a 5-day workweek does not change the areas where the workers are not entitled to extra breaks. Thus, those workers who, because of the nature of their work, can eat within the working hours, whose work is based entirely or partly on standby or who regularly work less than 6 hours (or on those working days when the working hours are less than 4 hours), are not entitled to extra breaks. The regulation may not be defined as valid only for nonphysical workers. On the basis of this regulation, as before, only those workers who, because of the nature of their work, work entirely or partly in unfixed hours or in a standby position and thus can eat without interrupting their work, are not entitled to an extra break.

Nonphysical workers who do not belong to this category continue to be entitled to an extra break. However, the former regulations made it possible to have this break within working hours. The new regulations have done away with this kind of an extra break: beginning with the introduction of the 5-day workweek, even nonphysical workers must have their extra break outside working hours.

Beginning with 1 July 1981, only those working in specified areas or shifts may change to the 5-day workweek.

In the statistically separate plants, factory units and shops of the management organizations, the change may be effected only if production is continuous (in three or more shifts) in the given unit.

All units of the management organization may change to the shorter week if the number of workers working in three or more shifts or in continuous schedules is more than 50 percent of the number of physical workers. In ambiguous cases, the proportion must be determined on the basis of the planned 1981 average number of workers.

Some management organizations are already on a 5-day workweek. These employers may apply the new regulations concerning the 5-day workweek (length of working day, extra breaks, vacations) according to the general rules, beginning with 1 July 1981 or 1 January 1982.

Management organizations may change gradually to the 5-day workweek. The gradual change may include the degree of decrease in working hours, the number of free days, the individual (statistically separate) units and the types of work. Efforts must be made, however, to make the change in as few degrees and in as short a time as possible.

Employers that operate continuously, in several shifts or seasonally and those in the field of public supply and service may determine work schedules differently than required by the general regulations. Thus, they may give more or less free days than average.

In addition to these possibilities, the management organizations should try to guarantee their workers 2 free days every week. However, there are types of jobs where such a work schedule is impossible to implement.

Even in one-shift jobs, the management organization works out the form of introducing the 5-day workweek jointly with the local union organization. If economic interests or the workers interests make it necessary, then it must be specified in the collective contract whether the annual working hours are attained by longer working hours or by extra work on a specified number of free days (about 6 to 8 annually).

Saturday, 2 January 1982, must be substituted as a working day on 12 December 1981 at those management organizations that have not changed to the 5-day workweek by 1 January 1982 or where this free day would interfere with their operation or with public supply and services.

9414

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# ENTERPRISE PARTY ORGANIZATION VIEWS LIFE AFTER REFORM

Budapest NEPSZABADSAG in Hungarian 7 Aug 81 p 3

[Article by Istvan Verbo, secretary of the party committee at the Dunai Vasmu (Danubian Iron Works): "One Step Further Ahead"]

[Text] Last year we celebrated the 30th anniversary of founding the Danubian Iron Works. During these 3 decades our place of work has developed into one of the most significant major enterprises of the domestic industry and metallurgy. With the careful use of our equipment, valued at 11.5 billion forints, each year our enterprise contributes a production value of 15.5 billion forints to implementing the national economic plans. Today the Danubian Iron Works produces 37 percent of the pig iron, 32.2 percent of the Siemens-Martin steel and 74.2 percent of the continuously produced steel made in this country and all the domestically produced metallurgical coke.

Our enterprise employs 12,500 people, including 10,500 physical workers; most of them are well-trained journeymen. Of our 2,000 employees, 850 have university or college degrees. To a large extent this rich intellectual basis made possible doubling the value of our production in the last 12 years. We closed the Fifth 5-Year Plan with a total of over 4 billion forints of profit. I can state, without immodesty, that our party organization of 2,050 members, with its political work of organizing the operation, was also a great help in achieving these results. The fact that early this year our party committee decided that we must change our working methods and we must seek new solutions, seems to contradict this statement. But progress caused us to come to this conclusion.

## Everything Is Changing Around Us

The foreign and domestic economic circumstances, and based on them the enterprise's external economic environment as well as its internal conditions, have undergone significant changes. By changes I mean the continuous price increases for materials and energy, as well as modifications in the pricing and economic regulatory systems, with greater emphasis being placed on the quality requirements. As a result, the imperative necessity has been to transform the production and product structures. Also the changed control of industry further expanded the enterprise's economic independence.

These factors forced the enterprise's management to develop new economic policies. The circumstance that one of our most significant operating units, the Siemens-Martin steel works, had reached the upper limit of its technical performance capacity and the amount of its production could not be increased, also forced it to do this. The need for more efficient economic operation and financial considerations urged us to expand our opportunities with new, more modern types of steel and to join the quality of competition on the world market. A wage system had to be developed within the enterprise to correspond to this demand in order to provide the incentive for such production.

While such fundamental changes are going on around us, the methods and style of the production-organizing party work cannot remain static. We can best help the economic management in working out rapid, flexible decisions that properly conform to the changing market demands and in developing the political atmosphere to encourage the initiative spirit and ensure tranquil production conditions, if our economic-organizing activity shows an example, if it points ahead.

Our party executive committee and our party committee yielded the right to discuss all those questions on which decisions are rendered by our economic management. This discussion is totally unnecessary today; at times it is also the source of unproductive arguments. Now at the meetings of our organizations only those problems and tasks that exert a decisive effect on the life of our entire enterprise are discussed. The enterprise's Sixth 5-Year Plan and our annual economic operating plans are examples of such topics.

Our method of operation differs from that of the economic management. The party committee members visit those interested in the decisions and conduct a free-flowing exchange of ideas with them about the planned solutions or possible better ways prior to our meetings. Of course, the job of the party committee members is not only to collect the various comments and suggestions in this manner but also to evaluate the political effects of the economic decisions in the field, while members possess all the facts possible--among ourselves we call this method political legwork.

We cut in half the number of meetings that our organizations hold. Thus, we have more time to help our basic party organizations not only to define the goals and provide direction but also to provide direct help. The party committee's task force on economic policy systematically follows with attention all information supplied by the basic party organizations, summarizes their experiences, and not only provides a timely warning to do what needs to be done as determined through this work but also prepares detailed proposals for the solutions. By analyzing our joint tasks, and by discovering the broad interrelationships between our jobs, the committee also helps further train those in the basic party organizations who are in charge of production.

Successful implementation of the investment program in the steel converter works, which will thoroughly modernize and expand our steel production, is a factor in our enterprise's life that will determine its fate. When the project began, our party committee organized a special task force to help the project.

This task force maintained regular contact with the party organizations of the enterprises participating in the investment and provided our party committee with continuous information about the program's implementation. In our council room we graphically illustrated and followed on a gigantic clock every move and the completion of job phases of the birth of the new facility, on the basis of these reports. Not only the task force but also the entire party committee provided direct assistance in the necessary regrouping of manpower for the organizational tasks at peak work periods, at the critical points in the investment's implementation.

### If Necessary, We Take the Initiative

I will emphasize that not once did we take over the responsibilities of the economic management. When we faced an especially difficult task that primarily had to be solved by outside enterprises, we asked their party organizations to help us. Within the Danubian Iron Works we made it the basic obligation of the party members working on the investment to volunteer first for the extra jobs that needed to be done. Such unceasing attention and help to the project made it possible for our party's executive committee and for our party committee, on the basis of the appropriate information and experience, to cooperate with the economic management on implementing the investment program. The economic-organizing work, consistent attention and innumerable timely intercessions of our party organization also contributed to our being able to say with confidence that the new steel plant will commence operation months ahead of schedule. Thus, adjusting the political work to the changing circumstances in our plant does not mean that our party organization's activity to help production has been pushed into the background. Quite the opposite is true; as I tried to illustrate, we do not get lost in the details, we concentrate our attention on the most important tasks and, if it is really necessary, we take the initiative.

Setting up our new maintenance organization is a beautiful example. Until now, each of our factory units had a separate maintenance department supervised by the local economic management. Within the Danubian Iron Works over 3,000 people worked in this manner in smaller groups.

Because of such fractionation of our resources, each year we had to order spare parts costing several million forints from outside enterprises for our machinery and equipment. The economic management created the central maintenance organization; not the least reason for this was saving this recurring expense. Since this reorganization directly affected more than 3,000 people, our party committee also took a stand on the decision; we participated in the cadre work relating to this job and in the selection of new supervisors.

The extent of the change is well illustrated by our machine shop within the central maintenance organization, for the most part, being able to handle the replacement of the worn-out and damaged parts of our machinery. This is the solution to the economic part of the problem in question. This had to be accompanied by information, the wisdom of explanation and understanding, since someone who until now did maintenance work only in the rollerworks did not gladly take on the added responsibility of also working on the Martin furnace, under new

circumstances. We also had to consider the need that this large-scale reorganization not cause one moment of delay in production in the iron works. All Hungarian industry would feel the disadvantages of a shutdown of this expensive equipment. Therefore, after the decision was announced but before the operational reorganization, we created the unified party leadership of the new central maintenance organization. Thus, before this new unit even began to work, its party organization stood ready as an organized political force, properly prepared to do its job. This is another example for what I mean by our having to be one step ahead in order to provide meaningful help to the successful economic work.

8584

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## WESTERN COMMENT ON ENERGY SHORTAGE, RAIL PROBLEMS

Zurich NEUE ZUERCHER ZEITUNG in German 20 Aug 81 p 4

[Article: "Introduction of an Electric Power Conservation Program in Serbia--Load Capacity Deficiencies in Yugoslav Railroads"]

[Text] Belgrade, 17 Aug--The "first phase" of an electric power conservation program was recently introduced in Serbia; in the fall, the "second phase" will bring about even more drastic restrictions. Several Yugoslav regions depend on electric power supply from Serbia, which has now been reduced by about 25 percent. There may be a number of reasons for power shortages in midsummer but, says Belgrade's daily POLITIKA, "there is no excuse for it." Among the reasons for these breakdowns is the fact that a number of engine complexes in Serbian power plants are no longer productive and that new power plants, whose power production had already been counted upon, are not yet ready. In addition, hydroelectric plants are short of water and coal-powered plants are short of coal.

## Unwieldy Organization

The Yugoslav national railways are short of freight cars to transport coal from the mines to the power plants; in Bosnia-Herzegovina alone the coal mines suffered a loss of about 120 million dinar during the first 6 months of this year, since 140,000 tons of coal could not be mined for this reason. The railroads in turn complain about obsolescent rolling stock and about its unwieldy internal organization which, among other things, suffers from its autonomous administrative system and from the extensive autonomy of Yugoslavia's six republics and two autonomous provinces. There are therefore, they say, not just "one" Yugoslav railroad management, but eight. As one top executive of this institution, which has for years been caught in a crossfire of public and official criticism, told Belgrade's weekly NIN, the assembly of a train which crosses five regions on one of the most important traffic arteries, requires organizational and jurisdictional cooperation of 52 so-called "basic organizations of socialized labor." But that type of cooperation just does not exist. A massive enterprise like the railroads can function only, says Director Filipović, when all its components, down to the smallest one, are integrated like a well-oiled watch movement.

Attractive freight transport offers from foreign contractors cannot be accepted because some of the railway stations do not have the requisite capacity and because obviously nobody does anything about it. The deplorable situation is well

illustrated by some impressive figures: The Yugoslav railroads are short 13,000-14,000 cars and 200-300 locomotives to meet their current obligations. Only two of the 18 locomotives belonging to the Montenegro railroad organization are operable; only about half of the 500 cars of the Sarajevo railroad are operable.

#### Poor Morale

The Yugoslav railways are not only operating at a great deficit; they also cause a disproportionate expenditure of foreign currencies. As is being emphasized again and again, the blame for this belongs not only to the poor morale among the poorly paid employees and workers of the railroads, but also to a number of firms. It became known recently that imported goods had remained at freight terminals for several weeks because the importers concerned did not take the trouble to see about offloading. This causes enormous payments to foreign railroad companies. This item alone cost the Yugoslav economy \$86 million last year; experts say that one fifth of that sum is justifiable at most.

The Federal government has recently announced drastic measures to combat this abuse. Anyone who in the future causes damage to the public interest by his negligence will be assessed stiff monetary fines. But these measures will hardly be sufficient to avoid a winter full of power shortages for the Yugoslavs.

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